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REPORT
ON THE
POST-BELLUM FINANCIAL ADMINISTRATION
IN
JAPAN.

BY
COUNT MATSUKATA MASAYOSHI
H. I. J. M's Minister of State for Finance

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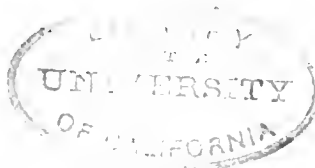
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CORRIGENDA AND ERRATA.

- p. IV. l. 22. *For enterprizes read enterprises.*
- p. XI. l. 6. *For as read us.*
- p. „ l. 9. *For foreget read forget.*
- p. XVII. l. 6. *For torpedes read torpedoes.*
- p. „ l. 27. *After in regard supply to.*
- p. 11. VI. *For silk-work-culture read silk-worm-culture.*
- p. 13. l. 10. *For plant read plan.*
- p. 19. l. 13. (from foot) *For enterprizes read enterprises.*
- p. 26. l. 7. *For 1,600,000 read 16,000,000.*
- p. 30. l. 6. *For 1901-92 read 1901-02.*
- p. 42. l. 18. *For 1,474,056.000 read 6,474,056.000.*
- p. 47. l. 10. *For suplus read surplus.*
- p. 52. l. 7. Sec. I. *For 105,488,905.707 read 105,488,905.507.*
- p. „ Note. l. 7. *For were read was.*
- p. 62. l. 22. Sec. III. *For enterprizes read enterprises.*
- p. 70. Table of expenditures. *For 50,129,699.201 read 50,127,699.201.*
- p. 77. l. 12. *For 1898-1900 read 1899-1900.*
- p. 79. l. 7. *For regretable read regrettable.*
- p. 81. Note. Formosan public works loan. *For 6,400,650.000 read 6,400,000.000.*
- p. 88. l. 5. *For county read country.*
- p. 95. l. 13. *For 1906-10 read 1906-07.*
- p. 104. Note. (3) *For 1899 read 1900.*
- p. 125. Table. Fukushima. *For 10,314,546.156 read 10,314,546.150.*
- p. „ „ Kumamoto. *For 21,589,051.959 read 21,589,057.959.*
- p. „ „ Miyazaki. *For 582,099.086 read 585,099.086.*
- p. 133. „ Tottori. *For 1,601,707.147 read 1,601,707.140.*
- p. 153. l. 27. *For 30,284.900 read 30,284,900.*
- p. 160. l. 10. *After being of supply so.*
- p. 183. l. 3. *After to supply make.*
- p. 187. Received in Formosa for taxes &c. *For 2,362,973.000 read 2,962,973.000.*
- p. 197. l. 6. *For the gold read those.*
- p. 199. l. 26. *For below 50 sen read 50 sen and below.*
- p. 203. l. 4. *For 1890-01 read 1900-01.*
- p. 213 Total of loans contracted for war purposes. *For 31,542,700.500 read 31,542,700.000.*
- p. 219. l. 27. *For been read to.*
- p. 228. l. 11. *For with read by.*
- p. 231. l. 4. *After in supply a.*
- p. „ l. 6. *For were read was.*
- p. 233. l. 15. *For Funds read Fund.*
- p. 236. l. 17. *For enterprizes read enterprises.*
- p. 250. l. 10. *For 12,900,000 read 120,000,000.*
- p. 253. l. 25. *For as securities market securities &c. read , as security, securities &c.*
- p. 255. l. 16. *For 2,356 read 2,356,356.*
- p. 256. l. 20. *After by supply a.*

REPORT
ON THE
POST-BELLUM FINANCIAL ADMINISTRATION
IN
JAPAN
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1896-1900  
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BY
COUNT MATSUKATA MASAYOSHI
H. I. J. M's. Minister of State for Finance



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DEPARTMENT OF FINANCE.

March 13th, 33rd year of *Meiji* (1900).

To His Excellency, Marquis YAMAGATA ARITOMO.

H. I. J. M's. Minister President of State.

Your Excellency; I have the honour to present to Your Excellency herewith a report on the particulars relating to the *post-bellum* financial administration. In this connection I beg leave to state very briefly the outline of the matters which will be stated more fully in the report itself.

In March of the 28th year of *Meiji* (1895), when the war with China was not yet brought to its close and the whole nation was overwhelmed with joy and wonder at the glorious news of victory, His Majesty, the Emperor, being deeply concerned about the future financial policy of the country, ordered me especially to His Presence at His military headquarters in Hiroshima, and conferred on me His gracious words, at the same time entrusting me with the task of administering the national finance with the view to its *post-bellum* rearrangement. I was most deeply touched with all this and at once accepting the Portfolio of Finance laboured day and night, earnestly hoping that I might prove myself worthy of the great trust imposed on me. On entering upon my duties, I saw immediately, that the first thing to do was to fix upon a scheme of financial policy to be pursued, which shall be in harmony with the changed status of the country and with the particular state of affairs at home and abroad. Such a scheme was accordingly drawn up and presented not long after to the Cabinet Council.

I felt indeed the gravity of my attempt. For it was evident that, in view of the greatness of the war expenditures as well as of the immense expensiveness of the unavoidable *post-bellum* undertakings, such a scheme should have to be drawn up with the greatest care; otherwise, through some piece of mistaken policy, not only the whole result of our victorious war might have been destroyed, but the roots of future calamities might have been left to the country for centuries to come. Such, no doubt, were the ideas in the mind of the Emperor, which led Him to take so much concern, and I felt that I was acting in union with these feelings of our August Master in putting forth my best efforts to perform my duties at this important stage in the nation's history. The main points in the financial policy now adopted, at my humble suggestions, were to increase the national revenue so far as necessary and practice economy in expenditure as much as possible; in regard to the sources of revenue for meeting the increased expenditures on account of the *post-bellum* undertakings, it was decided to depend on increased taxation for the ordinary class of expenditures, and for the extraordinary class of expenditures to look to the Chinese indemnity and the public loan. At the same time, measures were taken with the object of developing the resources of the country, so that the growth of the country's wealth might keep pace with its increased expenditures. For it was clearly seen from the very start, that the true *post-bellum* financial measures should consist not only of the rearrangement of the national finance, but also of the measures taken for the economical development of the country; thus only would the measures now adopted by the

Government prove to be no temporary makeshift but something lastingly beneficial to the nation. These two lines of policy,—the rearrangement of finance and the development of resources—were therefore both equally emphasized in the new scheme adopted by the Government. The main items of the programme presented to the Cabinet Council were as follows:—

Part I. A scheme for meeting the increased expenditures of the Government beginning with 1896–97.

1. To meet the ordinary class of the increased expenditures on account of the *post-bellum* undertakings by the increased revenue from Saké tax, business tax, registration duties and the leaf-tobacco monopoly.

2. To pay for the expenses of the military and naval expansion and of establishing the iron-foundry from the Chinese indemnity fund.

3. To find the revenue needed for defraying the expenses of making improvements in the Government railways and of expanding the telephone service by issuing public loans.

Part II. A scheme concerning the extraordinary war expenditures, the Chinese indemnity and the annual estimate for the administration of Formosa.

1. To close up the special *comptabilité* of the extraordinary war fund on the last day of March, 1896, and transfer its remaining business to the General Account of the Government to be thereby transacted.

2. Since the Chinese indemnity was to be received in partial installments covering a number of years, it was thought more reasonable to spend it for the class of ex-

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penditures covering a number of years. It was, therefore, proposed to spend the said fund for the redemption of the war expenses, for the military and naval expansion and for the establishment of the iron-foundry, as well as for the extraordinary reserve fund and for subsidizing a portion of the capital of the proposed local industrial banks.

2. To separate the annual account of Formosa from the General Account of the Government at home, and set up a special *comptabilité* for Formosa, with the object of adopting a scheme of self-supporting financial administration for that island.

Part III. A scheme of expansion concerning the public organizations for communication and for monetary circulation.

1. To bring about the improvement and extension of railways and telephone service by issuing a public loan.

2. To expand the business of the Bank of Japan and of the Yokohama Specie Bank and to establish the central industrial bank and local industrial banks.

Now the *post-bellum* national measures being no other than the undertaking of various enterprizes, made necessary on account of the sudden expansion of national affairs, it is but reasonable that all plans for such measures should be extensive and far-reaching, and that every step taken for the realization of such plans should be well considered and accurately thought out. It was with these ends in view that I thought it necessary to look to an increased taxation for the increased revenue needed to meet the enlarged expenditures, so that the financial basis might

be securely laid; to determine beforehand upon a line of policy to be pursued in regard to the uses of the indemnity money so that in this way all future disputes and troubles concerning the matter might be avoided; and lastly, to make provisions for developing national industry;—all these with the view to the collateral development of the country in both finance and economy, so as to successfully bring about results aimed at by the *post-bellum* measures.

Before, however, these suggestions of mine were carried into execution, in August of 1895, I felt it my duty to tender my resignation; but my successor in the office, Viscount Watanabe, largely shared my views and proposed, in the ninth session of the Imperial Diet, measures for the improvement and extension of public organizations for transportation, communication and monetary circulation. These measures being adopted by the Diet, it must be said that the first important step was taken in a general way in the great work of *post-bellum* financial and economical rearrangement.

In September of 1896, I was again appointed Minister of Finance and I immediately took steps to bring about the adoption of gold standard, through the enactment of the coinage law,—a scheme which had been a long time in maturing,—and I succeeded further in bringing about the setting up of a special *comptabilité* for Formosa, thus making it independent of the General Account of the Government, as well as the adoption of measures for the second period military and naval expansion programme—these measures all forming parts of the scheme for adjusting the *post-bellum* financial affairs.

A remarkable state of affairs produced through the

impetus given by the late victorious war was the sudden uprising of industrial enterprises of all kinds ; so that, in the matter of shipping and navigation, for instance, such great and rapid strides were made by the nation that the amount of navigation subsidy paid by the Government to private companies had to be at once increased from 1,000,000 *yen* to 5,000,000 *yen*. One of the results of this sudden industrial expansion was the rise of prices and wages, which necessarily helped to increase the deficit in the State revenue ; added to this, the cost of administration of Formosa came to grow more and more heavy. All these things combined to create a deficit of some 21,000,000 *yen* in the budget of 1898, notwithstanding the facts that the greatest economy was practiced in certain lines of expenditure and that in the matter of revenue the rates of the Saké tax and of some other excise duties were increased. Now it seemed to me that in these circumstances no half-measures would suffice and that unless some thorough-going steps were taken to make good this deficit, it was as clear as day-light, that a great disorder of national finances would be the result. I could think of nothing else than the increase of land tax as the only measure calculated to lay the firm financial foundations. For this reason, although the measure was very unpopular and difficult to carry through, I had a scheme of increased land tax drawn up. I felt somewhat encouraged to do so, since, on account of the adoption of the gold standard in the previous session of the Diet, the land tax has come to be practically reduced, so that if the rate was somewhat raised it would not very greatly increase the burden of the land owners. But unfortunately the Diet was dissolved

before the bill for the measure could be passed, and soon after in January, 1898, I was relieved of my official charge.

My successor in office, Count Inouye, laboured hard to keep up the equilibrium of the economical body politic and the balance between the receipts and the expenditures in the State finance; and with this end in view he greatly reduced expenditures by postponing the carrying into effect of certain pre-determined measures concerning national enterprises. Yet notwithstanding all this, there was still found in the budget of 1898-99 a deficit of some 20,000,000 *yen*. More than that, there came to prevail a great stringency in the money market as a result of reaction from the recent sudden expansion of industry, and it was found impossible to issue, as was expected, a public loan in the home market; so that the deficit temporarily made good from the Chinese indemnity, came to amount altogether to an immense sum of some 70,000,000 *yen*. For this reason the Government decided to resort to an increased taxation, and presented, in May, 1898, to the 12th session of the Diet a bill for increasing the rates of the land tax, the income tax, the Saké tax, etc., which would raise the amount of revenue by some 35,000,000 *yen*, hoping in this way to keep up the balance between the receipts and the expenditures of the State. But unfortunately the bill was rejected, and the Diet was subsequently dissolved. The Cabinet also resigned. In July of the same year, Mr. Matsuda Masahisa became the Minister of Finance, but the new Cabinet lasted only a few months, resigning before the meeting of the 13th session of the Diet, which had been convened to meet a few days afterward.

Now it is needless to repeat that all these financial difficulties were due to the great change wrought by the late war on the position of Japan, which necessitated the expansion of the State expenditures for various measures connected with armament, diplomacy, education, communication, industry, &c. This expansion was so sudden and so great that immediately a large deficit was created in the revenue of the country; while at the same time a great distress came to prevail among the industrial classes, owing to certain unavoidable causes. For these reasons the relief of these financial and economical distresses of the country came now to assume the greatest importance.

When in November of 1898, Your Excellency was appointed the Minister President of State and I was called to fill the office of the Minister of Finance, the economical distress of the country was at its last stage, the greatest uneasiness prevailing among all classes.

Twice had the Imperial Diet been dissolved in succession and the National Treasury was almost empty. The state of affairs evidently demanded the adoption of some thoroughgoing measures of relief; otherwise the things would have reached such a pass that the *post-bellum* enterprises would have had to be given up before its completion, the national progress and development stopped, and the political machinery of the country would have ceased to move altogether. I saw immediately on examining the budget for 1899–1900, prepared by the previous financial minister, that there would be a deficit of about 37,600,000 *yen*. No other course was now possible to pursue but to resort to an increased taxation, if we would restore the parity between the receipts and expenditures of the Govern-

ment and hope for the healthy growth of national finance.

I drew up a bill for increasing the rate of Saké tax, as well as for revising the rate of income tax and registration duties, as also a bill on tonnage dues and on the tax on the net profit of the Bank of Japan. These bills, together with a bill for the increased land tax, which was accompanied by a bill for revising the legal valuation of lands, were presented to the 13th session of the Imperial Diet.

Then further, the Government was obliged to resort to some public loans for paying back the sum of about 70,000,000 *yen* which had been temporarily borrowed from the Chinese indemnity fund, in order to fill up the gap created by the difficulty of raising loans as had been intended; otherwise, it was clear that the enterprises already set on foot with the expectation of applying those seventy millions toward their expenses would have had to be stopped. Besides, there was a need of issuing another public loan of about 20,000,000 *yen* set down in the budget of 1899-1900. Since, however, the condition of the money market at home did not permit the issuing of so large a loan altogether, it was decided to resort to a foreign loan; and accordingly, a bill for the issuing of a foreign loan was presented, together with the increased taxation bills, to the 13th session of the Diet.

Most fortunately the Imperial Diet adopted the measures proposed by the Government. The result was an increase of the national revenue by about 40,000,000 *yen* and the raising of a foreign loan in London, in June 1899, of the sum, according to the face value of the bonds, of 10,000,000 pounds sterling. Thus was at last attained

the object aimed at of relieving a most distressing condition of national finance.

The Government was now at last enabled, in preparing the budget for 1900-01, to abandon the habit of employing temporary makeshifts, and, instead, to depend on revenues resting on a secure basis; and moreover to balance all ordinary expenditures with the ordinary receipts and also take proper steps toward obtaining a revenue needed for meeting the extraordinary expenditures. The parity between the receipts and the expenditures was restored and the national finance at last brought back to its normal path of progress.

When a bill for the increased taxation was first brought before the 13th session of the Diet—the bill which when passed would suddenly increase the burden of taxation as has never happened since the Restoration—a great confusion of opinion prevailed, not only among members of the both Houses of the Diet, but also among members of different political parties. Even among those who adhered to the positive programme of national expansion and supported the bill, there were not a few who were afraid that the practical working of the bill might not be as satisfactory as was expected. The country is to be congratulated, however, that scarcely a trace has been found since then that the people found the increased burden unbearable, that the result of collecting the taxes has proved as good as was expected and that one important stage has been finally passed in the normal development of the *post-bellum* programme.

Finally, I can not refrain, on looking back over the five years that have now passed since the war, from

noting the fact that, although there have been frequent changes of Cabinets, the financial problem has always been regarded as of the first importance. That I have been enabled to contribute in my humble way, being appointed thrice as Minister of Finance, toward the achievement of the satisfactory results which lie before as now, I must attribute in a supreme way to the Gracious Authority of His Majesty, the Emperor. But, accessory to this, I can not forget that I owe much to the zealous cooperation given me by my colleagues in office, as well as to the loyal support of the nation at large, which are both due largely to Your Excellency's able and sagacious leadership as the Minister President of State. In my great joy, therefore, that perhaps I have been able to discharge a part of the great responsibility placed on me by His Majesty, I can not forbear to express my sense of gratitude to yourself.

I can not hide from myself the confidence that, with the foundations thus laid for the *post-bellum* financial adjustment, if the future policy of the Government is determined in accordance with the lines thus laid down, all the benefits of the victorious war will finally be gathered in. The report which follows will be found to be divided into four parts: the first part, consisting of each year's financial budget, including special *comptabilité*; the second part, of taxation and the leaf-tobacco monopoly; the third part, of matters connected with the coinage, the public loan and the Chinese indemnity; the fourth part, of matters connected with the money market and organizations for monetary circulation. These different portions of the report will give the particulars, whose general outline I have sketched in this letter of dedica-

tion. The report is now presented to Your Excellency, and I shall be grateful if you will, in case you think the report worthy, lay it before His Majesty, for His August Inspection.

Count MATSUKATA MASAYOSHI,
H. I. J. M's. Minister of State for Finance.

REPORT ON THE POST-BELLUM FINANCIAL ADMINISTRATION.

INTRODUCTION.

The results of the Chino-Japanese war of 1894-95 have made it necessary for the Government to undertake so many new enterprises that the annual expenditures, which used to be about 80,000,000 *yen*, rose suddenly to the sum of 200,000,000 *yen* in the budget of 1896-97, and kept on increasing still further until for 1900-01, it stood at about 250,000,000 *yen*,—an increase, so sudden and so large, completely revolutionizing the financial situation of the country. In drawing up the *post-bellum* financial measures, it has been the policy of the Government to aim at bringing about the economic growth of the country along with the financial, as the only policy destined to produce a lasting result. For this reason, while on the one hand the Government resorted to the increased taxation and to the public loan in order to obtain the increased revenue which was needed to meet a greatly expanded budget, on the other hand the coinage system was revised and the organs of monetary circulation were expanded and other measures taken with the view to the industrial growth of the country. In the present report these various features of the measures taken will be fully explained in separate parts, but it may not be improper here to give by way of introduction a general outline of the whole, since these various measures are from their very nature organically connected with one another.

Among the more important of the enterprises undertaken by the Government between 1896 and 1900, may be mentioned—the expansion of the military and naval armament, the establishment of the iron foundry, the improvement and extension of railways, the extension of telephone service, of telegraph and navigation lines, the founding of Kyoto Imperial University, of the second higher normal school, the second higher commercial school, the sixth higher school, the higher polytechnic school, and the higher agriculture and forestry school, the establishment of the Industrial Bank of Japan, of local industrial banks, of the Bank of Formosa, of the Hokkaido Colonial Bank, as well as the measures taken for the settlement of affairs in Formosa, and a scheme for the river works at home and other measures for the encouragement of agriculture, industry and commerce. All these had in view, it will be seen, either directly or indirectly, the industrial development of the country and the increase of national wealth.

All these various enterprises called for the greatly increased expenditure, far beyond the limit of the previous revenues of the Government, so that the Government took up the policy of resorting to an increased taxation to meet the ordinary expenditures, while for the extraordinary expenditures, it was compelled to issue public loans and besides devote a part of the Chinese indemnity. And these various measures were regularly presented to the successive sessions of the Imperial Diet. The Diet, however, made different responses to the appeals of the Government; and while the plans of the Government in relation to the issuing of public loans and the uses of the Chinese

indemnity were endorsed by the Diet and immediately put into practice, in the matter of increased taxation only the first portion of the programme was passed in the Diet of 1896. The second part of the programme could not be passed owing to the difference of opinion between the Government and the Diet, and was only adopted in 1899-1900. With the going into operation of the entire programme for the increased taxation, the *post-bellum* financial measures have passed one important stage and the equilibrium between the national expenditures and receipts was at last restored in the budget of 1900-01.

According to the first portion of the programme for the increased taxation, it was estimated that, through the newly-levied registration duties and business tax, and through the increased Saké tax as well as through the newly introduced leaf-tobacco monopoly, the Government would obtain anew some 33,570,000 *yen*; and these measures were all adopted in the 9th session of the Diet and went into operation in 1896-97. The second part of the programme could only be passed by making concessions on the part of the Government to some of the demands of the Diet, which broke up somewhat the original plans of the Government, but the demand for the increased revenue was finally met by the increase in the rate of taxes on land, incomes, saké, registration and soy, by revenues from the leaf-tobacco monopoly and the posts and telegraph service, and, lastly, by the newly introduced tonnage dues and the tax on the convertible bank-notes—all these items together bringing in 42,020,000 *yen*. It must be mentioned that, in introducing these new measures, the Government had constantly in mind to develop, side by side with laying a

secure basis for the national revenue, the natural resources of the country, and to avoid, as far as possible, the evils of unequal distribution of taxes. With the latter end in view the taxes on confectionery, boats, carts, &c., were abolished as a set-off against the introduction of the business tax, and the revision of the legal valuation of lands was promised as a set-off against the increased land tax.

Again, with the object of equalizing the burdens of taxation, the Government revised the regulations for stamp duties and took steps to adjust the land affairs in Okinawa prefecture. Moreover, in order to avail ourselves of all the advantages that might be obtained from the newly revised treaties with foreign nations, a thorough reorganization of the system of customs duties was planned, by enacting the customs regulations and putting into operation the tariff regulations.

The amount of the public loan to be issued beginning with 1896-97, was no less than about 200,000,000 *yen*, excepting the railway construction loan for the first period, previously decided upon. The Government took pains that the revenue obtained from going into this immense debt should all be spent, except the amount spent for a portion of the military and naval armament expansion scheme for the first period, for measures calculated toward the growth of industry, such as the improvement and extension of the means of communication. In raising loans, care was also taken to avoid, as far as possible, causing disturbance in the money market, by making careful studies of the conditions of the money market both at home and abroad.

The Government took particular cares as to the ways

of spending the Chinese indemnity. A part of it was set apart for the use of the Imperial household, and other parts spent for military and naval expansion, and for setting up the iron foundry, while still other portions were set aside as permanent funds, i. e., the fund for war-vessels and torpedes, the providence fund in reserve for calamities, and the fund in aid of the national education—all these various uses being calculated either to perpetuate the memory of the victorious war or to confer lasting benefits on the nation at large. It is needless to say that in all the treatment of the indemnity fund, either in bringing it home or in investing it abroad, no pains were spared to transact the whole business to the best advantage, having constantly in view the changing conditions of the money market.

As was mentioned above, the Government has not forgotten to take every necessary measure for the improvement and extension of the means of communication, along with taking measures calculated to perfect the means of national defence—believing that in order to lay firmly the foundations of national finance, it was necessary to develop industrial resources of the country. And since the perfection of organizations for the monetary circulation would be essential to the healthy industrial growth of the nation, the Government has thought fit, in view of the prevailing condition of the money market, to enlarge the authority of the Bank of Japan in regard its power of issuing notes on the reserve of securities. The Government has also founded the Industrial Bank of Japan and local industrial banks in order to encourage the development of agriculture and industry. Besides

these, the Bank of Formosa and the Colonial Bank of Hokkaido were founded, with the object of assisting in the financial and economical growth of Formosa and Hokkaido respectively.

Lastly, as it was seen that, at a time when the foreign trade of the country was rapidly expanding, along with the development of commerce and industry at home as a result of the victorious war, the effect of the depreciation of silver was most damaging to the foreign trade as well as to the growing commerce and industry at home, the Government took steps to adopt the gold standard as an essential means of ensuring the safe carrying out of the *post-bellum* financial measures.

The various measures thus very briefly sketched form one organic whole, and constitute the financial scheme adopted in order to safeguard the national interests in view of our changed situation after the war with China. The brief outline has thus been given, while the details will be given in the pages following.

REPORT

ON THE

POST-BELLUM FINANCIAL ADMINISTRATION.

(1896-1900)

PART I. THE BUDGET AND SPECIAL COMPTABILITÉ.

CHAPTER I. THE BUDGET FOR 1896-97.

SECTION I. The receipts and expenditures.

The total estimate of the receipts for 1896-97 was *yen* 197,197,712.072, of which the ordinary receipts amounted to *yen* 107,559,969.973 and the extraordinary receipts to *yen* 89,637,742.099; while the total estimate of the expenditures for the same year came up to *yen* 193,425,716.552, of which the ordinary expenditures amounted to *yen* 104,246,621.116 and the extraordinary expenditures to *yen* 89,179,095.436. There was thus the excess of the receipts over the expenditures by *yen* 3,771,995.520.

*Note:—*Though there was on the face of the foregoing statement an excess of receipts over the expenditures by *yen* 3,771,995.520, yet when the amount which had to be deducted, on account of the reduction in taxes and other reasons, from the estimate of the receipts, is taken into consideration, the receipts would come down to practically the same amount as the expenditures.

Aside from the figures above given concerning the budget for 1896-97, there was a supplementary budget for the same period amounting to the receipts of *yen* 1,357,160.227 and the

expenditures of *yen* 10,032,363.343, which was presented to the 10th session of the Imperial Diet, and was adopted; and the excess of the expenditures in this supplementary budget was made good with surplus fund transferred from the previous year's account.

This supplementary budget was omitted from the above statement concerning the budget, since the items in it concern largely the special temporary expenditures, without connection with the general financial scheme.

The receipts for 1896-97 consist of the customary incomes, the receipts from the registration tax, the revenues of the Government of Formosa, the indemnity for occupying Wei-hai-wei, the fund obtained from issuing the public works loan, the fund transferred from the Indemnity money, the surplus fund transferred from the previous year's account and the fund transferred from the extraordinary war fund. The particular items are as follows:—

Particular items in the receipts for 1896-97.

Customary incomes	100,793,401. ^{<i>yen</i>} 927
Receipts from the registration tax	6,423,993.525
Revenues of the Government of Formosa	6,682,236.603
Indemnity for occupying Wei- hai-wei	750,000.000
Receipts from the public works loan	8,374,500.000
Fund transferred from the Chi- nese indemnity	40,093,388.676
Surplus fund transferred from the previous year's account	17,477,332.578
Fund transferred from the extra- ordinary war fund	16,602,858.763
Total receipts	197,197,712.072

Note.—"Customary incomes" are those received according to the laws and regulations existing from past years; "Receipts from the registration tax" are the income in accordance with the registration tax law, enacted as part of the financial programme for 1896-97; "Indemnity for occupying Wei-hai-wei" is the amount—500,000 kuping *Tael*—paid yearly by China for defraying the expenses of the temporary occupation of Wei-hai-wei according to the special articles annexed to the Treaty of Shimonoseki, and reduced into terms of Japanese currency; "Fund transferred from the Chinese indemnity" is the amount transferred into the General Account, from the Chinese indemnity obtained according to the Treaty of Shimonoseki and the Treaty for the Retrocession of Liao-tung peninsula; "Fund transferred from the extraordinary war fund" is the surplus belonging to the special *comptabilité* of the extraordinary war fund transferred into the General Account according to Law No. X of the 29th year of *Meiji* (1896).

The expenditures for 1896-97 consist of the following items; namely, the ordinary expenditures, the extraordinary expenditures paid out of the ordinary incomes, the extraordinary expenditures paid out of the public works loan fund, the extraordinary expenditures paid out of the Chinese indemnity, the expenditures in connection with Formosa and Wei-hai-wei, and the extraordinary war expenditures. The following are the particular items:—

Particular items in the expenditures for 1896-97.

Ordinary expenditures	90,607,434. ^{yen} 716
Extraordinary expenditures, paid out of the ordinary incomes .	19,491,573.204
(Expenditures in connection with Formosa and Wei-hai-wei are put down separately)	
Extraordinary expenditures, paid out of the public works loan .	8,211,415.379

Extraordinary expenditures, paid out of the Chinese indemnity .	40,022,623.676
Expenditures in connection with Formosa and Wei-hai-wei . .	18,489,810.814

The above item includes the following sub-items:—

Expenses of civil administration .	5,928,705.223 ^{yen}
Expenses for armaments	7,710,481.177
Extraordinary expenditures for For- mosa	4,850,624.414
Extraordinary war expenditures .	16,602,858.763
Total expenditure	193,425,716.552

Note:—That the figures for the extraordinary expenditures paid out of the public works loan and the Chinese indemnity are smaller than the figures for receipts from the public works loan and the Chinese indemnity which are found under the particular items of receipts for 1896–97 is due to two causes; (1) to the fact that in the case of figures for the receipt from the public works loan the interest for the first year on the fund obtained was paid out of the ordinary revenue and (2) to the fact that the Government estimate of the extraordinary expenditures to be paid out of the Chinese indemnity was somewhat curtailed by the Imperial Diet.

SECTION II.

The causes of increase in the expenditure.

In comparing the budget for 1896–97 with that for a number of years back, we notice the astounding fact of an increase of about one hundred million *yen* over the estimate of any previous year. The reason for this increase lies in the fact that, as the result of the war with China, a great change had taken place in the situation of the national affairs, which compelled the Government

to undertake many new enterprises of various kinds. The fiscal year 1896-97 opens a new era in our national finance, for from that year date the so-called *post-bellum* national undertakings and in that year is laid the basis of every particular undertaking in the *post-bellum* programme.

That there should be greatly increased expenditures, such as for instance the increased expenditures for armament made necessary on account of the extension of the Empire, and the increased expenditures for various new undertakings for the settlement of affairs in the new territory, was of course quite unavoidable. But the authorities never lost sight, from the very start, of the fact that the financial measures in connection with *post-bellum* undertakings must go, in order to be permanently effective, hand in hand with the country's economic development. For this reason Viscount Watanabe, the Finance Minister at that time, laid great importance on the economic development of the country and laboured hard to develop the country's resources, at the same time perfecting its means of defence. In the budget for 1896-97, therefore, it will be noticed that, side by side with the items of expenditure for purposes of armament, there are other important items of expenditure for the improvement and extension of the means of communication, which always have a very close relation with the industrial growth of a country. A brief outline of the *post-bellum* programme, according to the main headings, will now be given, with the object of showing the causes for increased expenditure.

I. The expansion of the military and naval armaments.

The new programme for the military and naval expansion, made necessary in view of the changed situation of our national affairs was put into effect with 1896-97.

The expansion programme in connection with the army was divided into the two classes of ordinary and extraordinary. Under the first category came the increased expenditures for the organization and addition of new army corps, and for the various reforms in the military system, as well as for the increased establishment of offices, schools, &c., and the various reforms in their organization. The increase under this category, i. e. under the ordinary expenditures, was not large for 1896-97,—being but some 2,600,000 *yen*—but it was intended to grow larger with each succeeding year according to the development of the expansion programme until it came up to some 14,000,000 *yen*. Under the category of the extraordinary expenditures came the construction of coast batteries and barracks, the furnishing for the first time of arms and other implements for campaign use, the manufacture of arms, the extension of the factory departments of the arsenals and the expenses connected with the Temporary Board of Buildings. All the above items except the last one formed parts of a scheme extending over a number of years beginning with 1896-97: the expenditures for coast batteries were for the construction of batteries in the strait of Naruto, in Kure, in the strait between Iyo and Aki, and in Saseho, and the programme extended over successive years up till 1901-02; the programme for various repairs and the furnishing for the first time of arms, &c., and for the manufacture of arms, was to extend till 1899-1900; the programme for the extension of the factory departments of the arsenals till 1897-98; and while the expenses connected with the Temporary Board of Buildings were not designated as a continuous programme, yet it was planned in a tacit expectation that it would be extended for four years until 1899-1900.

The following are the various gross amounts of increase under this new programme :—

Extraordinary expenditures for the military expansion programme.

Construction of coast batteries .	14,071,893. ^{yen} 895
Various repairs and the furnishing for the first time of arms, &c. .	17,334,890.926
Manufacture of arms	8,486,766.607
Expansion of the factory departments of the arsenals	2,949,107.741
Expenses connected with the Temporary Board of Buildings	479,575.640
Total	43,322,234.809

Under the above programme, the expenditures needed for 1896–97 were as follows :—

Military expansion estimate for 1896–97.

Ordinary expenditures	2,666,442. ^{yen} 660
Extraordinary expenditures . . .	17,250,152.155
Total	19,916,594.815

The main point in the naval expansion scheme was to increase the strength in war-vessels and torpedo-boats. But as a necessary accompaniment of that policy, it was planned to enlarge the naval stations, to place in military ports and important harbours companies of torpedo marines both for the laying of torpedoes and for offensive purposes, as also to build new observation towers in some of the more important strategic points on the coast. The increase of the ordinary expenditures on these accounts was, although no more than some 770,000 *yen* for 1896–97, destined to increase with the progressive development

of the programme until it reached the sum of about 7,000,000 *yen*—the plan being made to cover the years between 1896–97 and 1902–03. The various gross amounts of increase under this new programme were as follows:—

*Extraordinary expenditures for the naval
expansion programme.*

Construction of war-vessels . .	47,154,576.160 ^{<i>yen</i>}
Manufacture of arms	33,751,162.800
Building expenses	13,870,506.887
Total	94,776,245.847

Under the above programme the expenditures needed for 1896–97 were as follows:—

Naval expansion estimate for 1896–97.

Ordinary expenditures	772,064.774 ^{<i>yen</i>}
Extraordinary expenditures . .	22,192,709.501
Total	22,964,774.275

It will thus be seen that the extraordinary expenditures under the military and naval expansion programme amounted to about 138,000,000 *yen* and that the annual ordinary expenditures were to increase, when the programme was fully developed, by some 21,000,000 *yen*. It is needless to say that the armament expansion scheme stood above all others for its largeness of plans and amount of expenditure.

II. Establishment of Kioto Imperial University.

It was felt necessary, in view of the changed order of things, that another Imperial university, besides that of Tokio, should be established. For this reason, it was decided to found a new university, Kioto being chosen

as the seat of that institution. The programme was to extend from 1896-97 to 1898-99, and the gross expenditures for the establishment were fixed at 200,000 *yen*,—the expenditures for 1896-97 being 20,000 *yen*.

III. *River works scheme.*

Under the River Works Act, an extensive scheme of engineering works was decided upon in connection with the Yodo and the Chikugo rivers; the programme was made to cover a number of years and the gross expenditures were fixed at 10,578,000 *yen*, of which the sum of 1,151,300 *yen* was to be spent in 1896-97.

It was also decided to undertake considerable engineering works in connection with the Ōi, the Abukuma, the Shinano, the Tenriu and the Fuji rivers, in order to perfect the partial schemes of engineering works already executed but still far from being sufficient to afford full protection against floods. The new scheme was also made to cover a number of years, beginning with 1896-97. The gross amount of expenditures for the entire scheme was *yen* 1,785,972.685, of which 535,000 *yen* was to be spent in 1896-97.

IV. *The colonization of Hokkaido.*

A scheme for railway construction, running through the central regions of Hokkaido, and for the building of new roads and the construction of drainage works and of dikes along river beds was fixed upon and put into execution with 1896-97. This trunk line of railway for Hokkaido was to start at Sorachibuto, terminus of the Hokkaido coal-mine railway, and was to pass through the plains of Uryū and reach Asahigawa. Its length was to be of thirty five miles and its expenses estimated at

1,178,331 *yen*, to be disbursed in two years beginning with 1896-97,—the expenditures needed for the first year being *yen* 903,200.449. For the laying out of new roads and the construction of drainage works and river dikes, the sum of *yen* 218,142.343 was required in 1896-97.

V. *The improvement of railways and the extension of telephone service.*

The traffic on the Government railways has been yearly on the increase, so that the old lines and carriages have come to be hardly sufficient for the daily need. It came to be seriously feared that should another war occur the military needs would monopolize these lines, excluding from them almost entirely the ordinary traffic. For this reason, it was decided now to lay another track of railway, parallel with the old, on the Tokai-do, making this trunk line double-track throughout its entire length. It was also decided to make many necessary improvements in the accommodating capacities of station buildings along the Tokai-do line and also along the Shin-yetsu line, as well as to increase the number of carriages in use on these lines, so as to facilitate the conveyance of passengers and goods. The scheme was to extend from 1896-97 to 1902-03; its gross expenditure was to be 26,553,000 *yen*, of which the amount needed in 1896-97 being 4,500,000 *yen*.

Note:—Besides the expenditures for making improvements on the railways above mentioned, the Government had already determined upon a scheme of railway construction which was to extend over a number of years, and had begun to put the scheme into execution in 1893-94 and 1895-96, the gross amount of expenditures needed being 59,921,663 *yen*.

The telephone service was introduced in 1890-01 in Tokio and Yokohama and in 1892-93 in Osaka and Kobe.

As a result of these trials, the number of applicants for admission into communication with the exchange offices kept on increasing, so that the comparatively small scale in which the system had been introduced in each of these cities proved to be sadly inadequate to meet the growing need. Besides, other cities than the four above mentioned, began to express strong desires that the telephone service be introduced, so that the Government now decided to introduce it in Kioto and thirty five other cities of the Empire. Moreover, it was also decided to change the old single wire system into a double one in the places where the telephone had already been in existence. The whole scheme of reform and expansion was made to cover the period between 1896-97 and 1902-03 inclusive. The carrying out of the scheme was to cost *yen* 12,802,106.731, of which the sum of *yen* 1,677,964.930 was to be spent in 1896-97.

Thus it will be seen that in the point of expenditure, the scheme for the improvement of railways and the extension of telephone service was only second in importance to the armament expansion programme.

*VI. Establishment of agricultural experiment-stations
and of silk-work-culture training institutes.*

Although there existed the central agricultural experiment-station in Tokio and its branch stations in six prefectures, i. e. Osaka, Miyagi, Ishikawa, Hiroshima, Tokushima and Kumamoto, and did much to contribute toward the improvement of farming and the increase of agricultural products, yet it was now felt necessary to encourage agriculture still more, in view of the sudden growth of industrial enterprises. For this reason, it was decided to establish branch-stations, one in each of the

three regions—San-in-do, Ō-u region and Tokai-do. The estimated expenditure for the above-mentioned object amounted to the sum of *yen* 24,861.748, which was to be paid out in 1896–97.

Although silk formed the most important of our exports to foreign countries and its culture was increasing year by year, yet very little use was made of the assistance of science in the method of silk-culture—a large majority of those who raised silk worms going mainly by the routine of practical experience. The plans were now matured, therefore, for the establishment of institutes for training in the method of silk-worm culture, it being hoped that the graduates from those institutes would become leaders in all the reforms and improvements connected with the method of silk-worm culture. The expenditure for this object in 1896–97 was estimated at *yen* 14,871.600.

VII. *Encouragement of foreign trade and establishment of exhibition rooms.*

In order to extend the fields for the exportation of the products of the country, commissioners were sent abroad to investigate the commercial conditions of foreign countries, students were also sent abroad to study and acquire practical experience in the western commercial methods, and samples were sent out to acquaint peoples of other countries with the nature of our products. For these and other similar purposes, it was decided to spend 60,000 *yen* annually beginning with 1896–97.

Since it is very important for the development of foreign trade to collect and exhibit samples of export articles for the benefit of both native and foreign merchants, it was decided to open an exhibition hall for export

articles, for which the sum of *yen* 19,692.850 was to be spent in 1896-97.

VIII. *Establishment of the iron foundry.*

Not only had the demand for iron greatly increased in general, but it was felt that, in times of war, the country would be compelled to rely upon its own supply of iron castings for use in dock-yards and arsenals, and in order to meet these demands it was decided to establish an iron foundry. The estimate of the gross expenditures for the setting up of the entire plant of the foundry was fixed at *yen* 4,095,793.400, of which the sum of *yen* 579,762.020 was to be spent in 1896-97.

The foregoing constitute the chief enterprises planned in 1896-97. Among these the military and naval expansion programmes, the scheme for the improvement of railways and the extension of the telephone service, and the establishment of the iron foundry constituted the three most expensive undertakings,—the chief cause for the increase of expenditure.

Besides the above, there were other causes which also greatly contributed toward the increase of expenditure—the causes which were directly the result of the war with China,—namely, the newly established administration of Formosa, the occupation of Wei-hai-wei, the principal and interest of the war-loan, and the increase of the annuities and the good-service rewards of soldiers.

The special *comptabilité* of the extraordinary war fund was closed on March 31st, 1896, and the business connected with it was transferred to the General Account. For this reason, there was found in the budget of 1896-97 an increase of about 16,000,000 *yen* under the item of the extraordinary

war expenses, and these expenses were met by the fund transferred from the special *comptabilité* for the extraordinary war expenditures; thus the expenditures and the receipts of the extraordinary war fund balanced each other exactly.

SECTION III.

The scheme for meeting the deficit in the revenue.

The causes that led to the sudden increase of the estimated expenditures for 1896-97 have been explained in the preceding section. A part of this increase was due to the expansion of the administrative business of the Government, a necessary consequence of the greatly increased number of new enterprises the Government was compelled to undertake in view of the changed *post-bellum* situation.

This part of the increase, however, could be fully met from the ordinary revenue of the Government. But the other part of the increase, which was owing to the extraordinary expenditures for carrying into execution the *post-bellum* enterprises, such as the military and naval expansion scheme, the railway improvement and the telephone service extension scheme, the establishment of the iron foundry, the expenses of the administration in Formosa and of the occupation of Wei-hai-wei, the principal and interest of the war loan, the increase of the annuities and the good-service rewards of soldiers—this part of the increase it was impossible to pay out of the ordinary revenue, and constituted at once the deficit for 1896-97.

In fact the ordinary revenue of the Government for the year 1896-97 amounted to about 100,700,000 *yen*, of which the gross expenditures for the same year came up to some 193,400,000 *yen*, so that the balance of 92,640,000

yen formed the deficit for that year. A part of this deficit was, however, met by the fund transferred from the extraordinary war fund, the revenue from Formosa and the indemnity paid by China for the expenses of occupying Wei-hai-wei—altogether amounting to some 24,000,000 *yen*—these deducted from the amount of deficit previously mentioned left 68,600,000 *yen*, for which the Government was obliged to find some way of securing an income.

Now it is clear that the various items of expenditure which constituted the chief reasons for the increase divide themselves into two classes—one class, such as the ordinary expenditures under the military and naval expansion programme, the principal and interest of the war loan, the rewards and annuities of soldiers, and the expenditures connected with Formosa and Wei-hai-wei, belonging naturally to the ordinary class of expenditures and the sources of revenue to meet this class of expenditures should be of a permanent kind. The other class, however,—such as the extraordinary expenditures for military and naval expansion, the expenditures for the improvement of railways and for the extension of telephone service and the expenses of setting up the iron foundry,—belongs to the extraordinary class of expenditures, so that the sources whence revenue was to be drawn to pay this class of expenses should be of a temporary nature. For these reasons, the Government now decided to resort to increased taxation to find the revenue needed to meet the deficit of the ordinary kind, while for the income to meet the deficit of the extraordinary kind it was determined to issue a public loan and to transfer to the General Account a part of the Chinese indemnity.

The following were the amounts to be paid by the

Government in 1896–97, for the ordinary expenditures of the military and naval expansion scheme, the principal and interest of the war loan, the increased pay for the meritorious service of soldiers and for the expenses of the administration of Formosa and of occupying Wei-hai-wei, namely :—

Ordinary expenditures for military and naval expansion	3,438,506.000 ^{yen}
Interest on the war loan	5,510,416.000
Increased pay for the meritorious service of soldiers	353,844.000
Expenditures in connection with Formosa and Wei-hai-wei . . .	11,057,574.000
That is, the part corresponding to the revenue of the Formosan Government and the indemnity for occupying Wei-hai-wei being deducted.	
Total	20,360,340.000

Note.:—The rewards and annuities of soldiers amounting to about 940,000 *yen* were strictly the result of the war of 1894–95, and the Government at first intended to seek income to pay this also from increased taxation. But at the last moment in the process of drawing up the estimate it was found that there was a sufficient surplus in the ordinary revenue to meet this; and accordingly, this amount was withdrawn from the foregoing schedule.

The above are only the estimate for 1896–97. It was expected that all these estimated amounts (excepting perhaps the amount for the administration of Formosa, for which it was thought impossible to make as yet any calculation for the future) would increase with the coming years. For instance, the yearly ordinary expenditures for the military and naval expansion would gradually increase with the development of the expansion

programme until the amount would come up to the sum of about 21,000,000 *yen*, while the yearly payment on account of the war loan would also increase with the coming of the time when the Government begins to pay back the principal, until the amount would rise to the sum of 8,500,000 *yen*. For these reasons the gross amount of the deficit to be annually made up from the ordinary sources of revenue was estimated to rise ultimately to the sum of some 30,000,000 *yen*.

*Note:—*Besides the items in the foregoing schedule it was expected that 4,500,000 *yen* * would have to be paid as interest for the public works loan, issued in 1896–97, and that the expense of collecting newly increased taxes would come up to some 1,500,000 *yen*,—both items, together making the sum of 6,000,000 *yen*, would naturally increase the ordinary expenditures of the Government in future years. But these items were omitted from the list mentioned above, as it was expected that they would be met by the naturally increasing revenue of the coming years.

Now the foregoing increase belongs strictly speaking to the class of ordinary expenditures and for this reason it was decided to find the sources of increased revenue in increased taxation. The Government now planned to levy two new taxes in the form of registration tax and of business tax, to monopolize the trade in leaf-tobacco and to raise the rate of tax on Saké. The bill containing this programme having been regularly passed in the 9th session

* The entire amount of interest on the public works loan of 135,000,000 *yen* would reach the sum of 6,750,000 *yen*, instead of 4,500,000 *yen* just stated. But since it was expected that about 2,200,000 *yen* which is the interest on that portion of the public works loan devoted to the improvement and extension of railways and telephone service would be covered by the increased incomes from those sources, this amount was deducted from 6,750,000 *yen*, and only the remaining portion was put down as the interest to be paid.

of the Imperial Diet, the new scheme of increased taxation was immediately put into execution. The increased revenue, obtained from these new sources was estimated to amount to about 34,000,000 *yen*, but as the Government decided to abolish at the same time certain old taxes the real increase was estimated to come up to some 26,000,000 *yen* only.

Note:—The following are the items in the estimated receipts from the increased taxation, according to the first programme.

Registration tax	6,423,993.000 ^{<i>yen</i>}
Business tax	7,551,377.000
Saké tax	9,284,544.000
Government monopoly of the trade in leaf-tobacco	10,316,379.000
Total	33,576,293.000
Amount to be deducted from the revenue on account of abolished taxes	7,552,397.000
Balance, showing the amount of actual revenue	26,023,896.000

Although the scheme for the increased taxation was thus decided upon, yet among the new items it was only the registration tax which could be enforced at once from 1896–97, other taxes being enforced from 1897–98, and full receipts only realized from 1898–99. It was therefore decided to make up the deficit in the ordinary revenue with the receipts from the registration tax and with the surplus fund carried over from the previous year's account. The estimate according to this plan stood as follows:—

The increase in ordinary expen- ditures, owing to the War of 1894–95	20,360,000.000 ^{<i>yen</i>}
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To meet the above amount of expenditures, the following sources of revenue were chosen :—

Registration tax	2,720,000. ^{yen} 000
After deducting the amount corresponding to the reduction of revenue from abolition of certain old taxes.	
Surplus fund carried over from the previous year	17,470,000.000
Total	20,190,000.000
Balance, showing the deficit of revenue.	170,000.000

Note:—This deficit was made up by arranging to pay the sum of about 170,000 *yen*, the interest for the first year on the public works loan, out of the fund realized from that loan, thus producing the surplus of about 170,000 *yen* in the General Account.

On the other hand, the programme for the military and naval expansion, the establishment of the iron foundry, as well as the schemes for the improvement of railways and the extension of the telephone service form special enterprizes undertaken as *post-bellum* national measures, whose estimated gross expenditure amounted to some 180,000,000 *yen*. It was impossible to meet the deficit in the revenue, caused by these expenditures, from the ordinary sources of revenue. For this reason the Government decided to use a part of the Chinese indemnity and the fund obtained by means of a public loan, and to bring the entire programme to completion in seven years i. e. from 1896–97 to 1902–03 inclusive. It was further decided to cover the expenses of setting-afoot the leaf-tobacco monopoly, intended to meet deficit in the ordinary revenue, also from public loan fund. The estimated account stands as follows :—

Extraordinary expenditures connected with the military expansion programme	43,322,234. ^{yen} 000
Extraordinary expenditures connected with the naval expansion programme	94,776,245.000
Expenses of establishing the iron foundry	4,095,793.000
Expenses of making improvements in the Government railways	26,553,000.000
Expenses of extending the telephone service	12,802,106.000
Expenses of constructing the Hokkaido railways	1,178,331.000
Expenses of setting-afoot the leaf-tobacco monopoly . . .	12,213,550.000
Total	194,941,259.000
Amount paid from the Chinese indemnity fund	40,022,623.000
Fund obtained by issuing a public loan	133,721,920.000
Total	173,744,543.000
Balance, showing the further deficit	21,196,716.000

Note :—This deficit of 21,196,716 *yen* was expected to be covered by the general revenue of the Government.

The public loan issued amounted to 135,000,000 *yen*, but since the Government intended to set apart 1,278,080 *yen* out of the above amount to pay for the first year's interest on that part of the public works loan intended for making railway improvements and telephone extension, there is given in the above account only the amount remaining after making the deduction just mentioned.

The estimated extraordinary expenditures for 1896–97 for the military and naval expansion and for establish-

ing the iron-foundry and other expenditures under the same programme were as follows:—

Extraordinary expenditures connected with the military expansion scheme	17,250,152. ^{yen} 000
Extraordinary expenditures connected with the naval expansion scheme	22,192,709.000
Expenses of establishing the iron foundry	579,762.000
Expenses of making improvements in the Government railways	4,500,000.000
Expenses of extending the telephone service	1,677,964.000
Expenses of constructing the Hokkaido railways	903,200.000
Expenses connected with setting-afoot the leaf-tobacco monopoly	<u>1,130,250.000</u>
Total	48,234,037.000

The part of the above expenditures relating to the military and naval expansion and to the establishment of the iron foundry was to be defrayed from the Chinese indemnity, while the rest was to be paid from the fund obtained by issuing a public loan.

Thus the deficit of revenue amounting to 68,600,000 *yen* for 1896–97 was made up; that is to say, the deficit in the ordinary revenue through increased taxation, and the deficit owing to the extraordinary expenditures with the fund obtained partly from the Chinese indemnity and partly by means of a public loan.

CHAPTER II.

THE BUDGET FOR 1897-98.

SECTION I.

The receipts and expenditures.

The receipts in the budget estimate for 1897-98 consisted of the ordinary receipts of *yen* 121,428,570.486 and of the extraordinary receipts of *yen* 128,096,099.758, making the total of *yen* 249,524,670.244. The estimated expenditures for the same year consisted of the ordinary expenditures of *yen* 112,310,798.343 and of the extraordinary expenditures of *yen* 137,236,487.620, making the total of *yen* 249,547,285.963.

The receipts for 1897-98 is made up of the customary receipts, the indemnity for the occupation of Wei-hai-wei, the fund secured through the public works loan, the fund transferred from the Chinese indemnity and the surplus of the previous year.

These particular items are as follows:—

Items in the receipts for 1897-98.

Customary receipts	126,120,863.449 ^{<i>yen</i>}
Indemnity for occupying Wei-hai-wei	750,000.000
Fund obtained through the public works loan	61,329,500.000
Fund transferred from the Chinese indemnity	50,509,120.559
Surplus of the previous year	10,815,186.236
Total	249,524,670.244

Note:—In “the customary receipts” are included the receipts from the business tax, the registration tax and the leaf-tobacco monopoly,—measures for these items of revenue having been adopted in the 9th session of the Imperial Diet.

The expenditures for 1897-98 consisted of the ordinary expenditures, the extraordinary expenditures provided for out of the ordinary revenue, the extraordinary expenditures provided for by issuing public loan, the extraordinary expenditures provided for from the Chinese indemnity, the expenditures relating to Formosa and Wei-hai-wei and the extraordinary war expenditures. The particular items are as follows:—

Items in the expenditures for 1897-98.

Ordinary expenditures	104,234,111. ^{yen} 676
Extraordinary expenditures, provided for from the ordinary revenue	25,185,451.071
Extraordinary expenditures, provided for by issuing a public loan	61,329,477.635
Extraordinary expenditures, provided for from the Chinese indemnity	36,451,698.649

In the above item, the expenditures relating to Formosa, Wei-hai-wei and the extraordinary war expenditures are not included.

Expenditures in connection with Formosa and Wei-hai-wei . .	15,544,473.626
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Sub-items under the above:—

Military expenditures for Formosa .	8,087,859. ^{yen} 725
Expenditures for meeting the deficit of revenue in Formosa under the special <i>comptabilité</i>	5,959,048.317
Expenditures for the temporary occupation of Wei-hai-wei . . .	1,497,565.584
Extraordinary war expenditures	6,802,073.306
Total	249,547,285.963

Note:—The sum of *yen* 14,057,421.910 which is the balance remaining of the fund transferred from the Chinese indemnity,

was spent for meeting the deficit of revenue in the special *comptabilité* of Formosa, for the extraordinary war expenditures, and for the expenditures in connection with the intelligence and transport service.

When in September of 1896 Count Matsukata was appointed Finance Minister, the programme for *post-bellum* measures had made considerable progress, so that the financial plans had to be made with the greatest care. Among the important measures initiated in 1897-98 were the adoption of the gold standard and the enactment of the tariff regulations; while among those having a close relation with the budget estimate were the programme of the armament expansion for the second period, the construction of the first period part of the Hokkaido railways, and the setting up of the special *comptabilité* for Formosa,—measures it is needless to say of very great importance.

The armament expansion scheme for the second period, being a continuation of the programme for the first period, it was thought by the authorities concerned to be more fitting that it should have been determined at the same time with the first period programme. But owing to the fact that the necessary financial measures in connection with that programme were not matured before, it was adopted only in 1897-98. The total expenditure needed for this second period armament expansion programme for both the military and the navy, reached no less a sum than 150,000,000 *yen* and it was to be defrayed out of the Chinese indemnity. This was indeed the most important item in the financial schedule of 1897-98.

The construction of the first period part of the Hokkaido railways was determined upon in the budget estimate of 1897-98, in accordance with the terms of the law concerning the Hokkaido railway construction enacted in

1896-97. The programme, of which the part to be constructed in 1897-98 formed the first period, extended from 1897 to 1908 inclusive, the total expenditure being estimated at about *yen* 18,000,000.00. This whole amount was to be defrayed out of the fund obtained by issuing public loans.

The establishment of special *comptabilité* for Formosa had for its aim the inauguration of a self-supporting financial programme for that island. The scheme was not new in the minds of the authorities, but put into practice for the first time in 1897-98. The actual working of the scheme has been very encouraging thus far and it may be reasonably hoped that, with the gradual diminution of the deficit to be provided for by the State Treasury, the self-supporting programme will be actually inaugurated in ten year's time from now. It is needless to say that the establishment of the special *comptabilité* for Formosa has given considerable benefit to the financial administration of the Government.

The new items which appeared in the budget estimate for 1897-98 were the expenditures for the second period armament expansion scheme, the expenditures for the construction of the first period part of the Hokkaido railway, as well as the subsidies to the Industrial Bank of Japan and the local industrial banks, the expenditures for the establishment of the medical college of the Kyoto Imperial University, the expenses connected with setting afoot the leaf-tobacco monopoly, the expenditures for the establishment of new legations and consulates, the expenses connected with the expansion of the custom-house system and the subsidies in aid of harbour works, &c. Most of these measures had been planned in the previous year, and only undertaken this year.

On account of the fact that so many new enterprises were to be undertaken by the Government in 1897-98, the estimate of expenditures rose to almost 250,000,000 *yen*; which means that there was an increase of about 40,000,000 *yen* over the estimate of the previous year. This increased amount of expenditures was, however, provided for by the new item of receipts of about 1,600,000 *yen** from the business tax, the *saké* tax and the leaf-tobacco monopoly as the result of the adoption of an increased taxation scheme in the previous year and by the increased receipts of about 25,000,000 *yen* over the receipts of the previous year in the item of customary receipts, on account of the increased collection. Thus was the Government enabled to carry out the programme of expenditures as adopted in 1896-97, meeting the increased expenditures by the increased revenue. Yet as the receipts from the new taxes would not come up to the estimated amounts until 1898-99, the deficit for 1897-98 was provided for by the surplus of the previous year and from the Indemnity money.

Concerning the plans now adopted as to the disbursement of the Chinese indemnity in 1897-98, it may be noted that the items of expenditure provided for by the Indemnity money were the second period armament expansion programme, the deficit of revenue in the budget estimate of the Government of Formosa, the extraordinary war expenditures and the expenses connected with the extraordinary transport and intelligence business of the War Office. The reasons why these items were set apart to be defrayed by the Indemnity money were as follows: in the case of the second period armament expansion programme, the fact of its being an extraordinary expen-

* When the amount of decrease in the revenue on account of the abolition of certain taxes is deducted the net increase amounts to about 10,000,000 *yen*.

diture and that in so large an amount as made it impossible for the ordinary revenue to cover it; in the case of the extraordinary war expenditures and the expenses connected with the extraordinary transport and intelligence business of the War Office, the fact again of their being from their very nature extraordinary; and lastly, in the case of Formosan deficit, the reason was not same, for to make up a deficit in the revenue of Formosa was not an extraordinary thing, but belonged rather to the class of ordinary expenditures and the deficit would be more properly met by the State Treasury, year by year, as long as the self-supporting stage was not reached. Yet it was remembered that the affairs of Formosa were yet in a very uncertain condition and that no reliable forecast could be formed as to their prospect. For this reason it was thought that this item might also be left to the charge of the extraordinary source of revenue. Along with the way, thus determined, of employing the Indemnity money for 1897-98, it may be said that the principle to be followed in its future employment was also determined as a natural inference.

The expenditures to be annually met by receipts from public loans amounted to 1,000,000 *yen* according to the budget estimate of 1897-98; and they covered the following items:—the extraordinary expenditures connected with the military and naval expansion, the expenses of setting up the iron foundry, the expenses of making improvements in the Government railways, the expenditures for constructing railway between Sorachibuto and Asahigawa, the expenses of extending the telephone service and of setting afoot the leaf-tobacco monopoly, besides which the expenses connected with the first part of railway construction in the first period portion of the Hokkaido railway.

Thus it will be seen that the principle, underlying the plans adopted by the Government for meeting the increased expenditures, was that the ordinary expenditures should be met by the revenue from increased taxation and the extraordinary expenditures by the receipts from public loans and the Chinese indemnity. The first part of the increased taxation programme, it will be remembered, was put into execution in 1896-97 as was narrated in the previous chapter; while as to the Chinese indemnity nothing had been determined concerning its use before 1897-98, except the transferring of about 78,950,000 *yen* to the special *comptabilité* of the extraordinary war expenditures in 1895-96 and the employment of the same to pay for the expenses of the first period armament expansion programme and of setting up the iron foundry in 1896-97; in 1897-98, however, it was determined to place the entire expenditures connected with the second period armament expansion programme in charge of the Chinese indemnity. Concerning the public works loan, it was planned in 1896-97 to issue it up to the gross amount of 135,000,000 *yen*, but the amount was increased in 1897-98 by the adoption of the plan for issuing the Hokkaido railway loan bonds—18,562,050 *yen* in amount—for the construction of the first period portion of the Hokkaido railway. By this addition the total amount of public loans to be issued rose to the sum of 153,562,050 *yen**

In fine, in the budget estimate of 1897-98, the deficit of the ordinary revenue was made up by employing the surplus fund of the previous year, while the expenditures connected with the second period armament expansion

*The amount of the public loan issued for the construction of railways belonging to the first period portion of the railway construction programme is not included in this estimate.

programme, the extraordinary war expenditures, the expenses connected with the extraordinary transport and intelligence business of the War Office, and the deficit of revenue in the budget estimate of Formosa were all met by the Chinese indemnity; among the items of expenditure to be charged to the fund obtained from public loans there were added this year the expenses of constructing the first period portion of the Hokkaido railway, besides the scheme which had already been determined upon.

SECTION II.

Items of importance.

The measures adopted by the Government, such as those which relate to armament, diplomacy, education, encouragement of industry, &c., as these measures were shown in the budget estimate of 1897-98, revealed the lines of policy pursued by the Government with reference to the *post-bellum* undertakings. For this reason, brief explanations of these measures will be given in this section.

I. The military and naval expansion.

As a sequence to the first period programme of military and naval expansion determined in 1896-97, the second period programme was adopted to be put into force from 1897-98.

The second period expansion programme included works to be carried on in continuation of those under the first period programme, such as the construction of coast batteries, the building of barracks, the manufacture of arms, the making up of deficit in the funds set apart for the

use of fire-arms factories in Tokio and Osaka and of Senju woolen cloth manufactory. Excepting the last item, all the rest were to cover number of years beginning with 1897-98; namely, the construction of batteries was to take place in Tsushima Is., Nagasaki, Maizuru and Hakodate—the work to be continued till 1901-92. The building of barracks and their furnishing for the first time to extend to 1903-04, the manufacture of fire-arms to extend to 1902-03. The making up of deficit in the funds set apart for the use of Tokio and Osaka fire-arms factories and Senju woolen cloth manufactory, was to continue for two years i.e. 1897-98 and 1898-99. The gross expenditures under this second period programme are as follows:—

Expenditures for the second period military expansion.

Coast batteries	yen 6,460,520.409
Barracks and their furnishing	19,363,746.926
Manufacture of fire-arms	9,854,538.499
Making up of deficit in funds for use in factories	<u>2,679,790.208</u>
Total	38,358,596.042

Note:—When the total amount of the extraordinary expenditures for the first period expansion programme i.e. yen 43,322,234.809, is added to the total amount above named of the expenditures for the second period, we get yen 81,680,830.851 as the entire expenditure for the military expansion scheme.

Of the above-named total amount of expenditures for the second period, that which would be needed in 1897-98 in carrying out that year's portion of the programme was yen 12,579,544.798.

The second period programme of naval expansion was also planned as a continuation of the first period expansion

programme. The entire second period programme was to cover the years between 1897-98 and 1905-06 inclusive. The particular items of expenditure were as follows:—

Expenditures for the second period naval expansion.

Construction of war-vessels . .	78,893,399.020
Manufacture of fire-arms . . .	33,176,329.780
Various building purposes . .	6,254,990.194
Total	118,324,718.994

Note:—When the total amount of the extraordinary expenditures for the first period expansion programme, i. e. *yen* 94,776,245.847, is added to the total amount above named of the expenditures for the second period, we get *yen* 213,100,964.841 as the entire expenditure for the naval expansion scheme.

Of the above-named total amount of expenditures for the second period, that which would be needed in 1897-98 was *yen* 23,796,947.708.

Besides the second period military and naval expansion programme above explained, an important item of the armament expansion scheme was the establishment of Shimose fire-arms factory, which was planned as the three years period programme i. e. between 1897-98 and 1899-1900 inclusive. The total expenditure needed for this undertaking was *yen* 225,061.785, of which the sum of *yen* 179,070.910 was needed in 1897-98.

II. The increased establishment of legations and consulates.

In 1896-97 a number of consulates were established anew in China and Korea, but a further increase was needed in view of the altered situation in diplomacy and trade. There were now established in 1897-98 legations in Hawaii, Mexico, Brazil and Siam and consulates

in Sydney, Antwerp, Chicago, Manila and New-chwang. The expenditures for these new undertakings were estimated at 299,720 *yen*.

III. The expansion of educational undertakings.

Among various measures for the expansion of educational organizations undertaken in 1897-98, the most important was the establishment of the college of medicine in the Imperial University of Kioto and of the Imperial Library in Tokio.

While the establishment of the Kioto Imperial University was undertaken in the previous year, only very little was done, by way of preparation, as to the establishment of the medical college—the little that was done being confined to the purchasing of lots and the clearing of the old buildings on those lots, &c. The entire expenditure for the establishment of the college was estimated only in the budget of 1897-98. The scheme was to extend over a period covered by 1897-98—1901-02 inclusive, and to cost the gross sum of 729,355 *yen*, of which 80,000 *yen* were needed in 1897-98.

The Imperial Library Building was to be set up in order to take the place of the present Tokio Library, whose plans were too narrow and limited to meet popular demands in the present growing epoch. The scheme was to be completed in several years, extending from 1897-98 to 1904-05 inclusive, and to cost 320,000 *yen* altogether,—the sum needed in 1897-98 being 40,000 *yen*.

Among other measures adopted in 1897-98, may be mentioned the appointment of local educational inspectors and the increased number of students sent abroad for study.

IV. Subsidies toward the expenses of harbour-works.

The harbour works of Nagasaki were undertaken at the expense of that city—the aim of the works being to dredge the harbour in order to clear it of mud and sand which had been gradually collecting—and the estimated cost of the undertaking was altogether about 2,760,000 *yen*. The expenditure was, however, too much for the financial resources of that municipality and it was decided to grant a subsidy from the State Treasury toward that expenditure; the gross amount of subsidy to be paid in six years beginning with 1897–98, being fixed at 800,000 *yen*, of which 50,000 *yen* were to be paid out in 1897–98.

Again, as subsidy toward the expenses of constructing harbour works at Osaka undertaken by that city,—the estimated expenditures of which was no less than about 18,400,000 *yen*,—it was decided to give from the State Treasury the subsidy of 4,680,000 *yen* in ten years beginning with 1901–02; besides the above subsidy in money, lots near the coast, owned by the Government and estimated to cost 1,978,000 *yen*, were to be transferred to the city free of cost.

V. Colonization of Hokkaido.

Owing to the enactment of the Hokkaido railway construction law in 1896–97, it was now decided to build railways in Hokkaido—the first period portion consisting of a line to be built from Asahigawa, in the province of Ishikari, to Abashiri in the province of Kitami, via Tokachibuto in the province of Tokachi and Akkeshi in the province of Kushiro—and of the line to be built from Akkeshi in the province of Kushiro to Nemuro in the province of Nemuro as well as of the line to be built from Asahigawa in the province of Ishikari to Soya in the

province of Kitami. Besides the above named lines, constituting the first period portion, there was a need of making surveys preliminary to fixing other lines; and the whole undertaking was commenced at the estimated cost of 18,562,050 *yen*, which were to be paid in portions between 1897-98 and 1908-09 inclusive. The portion set apart for 1897-98 was 1,000,000 *yen*.

Another important undertaking was the repair of harbour-works in Otaru. That important port, bearing so close a relation to the development of Hokkaido, was a very unsafe place for ships taking shelter, on account of the customary furious winter winds. For this reason, much repairing was regarded as necessary and the programme was drawn up to cover several years, beginning with 1897-98 and ending in 1906-07; and the gross expenditure for the undertaking was estimated at *yen* 2,188,618.369, of which 250,000 *yen* were to be expended in 1897-98.

VI. Expansion of the custom-house business.

On account of the revision of treaties with western nations and the enforcement of the new tariff regulations, the custom-house business needed to be much expanded and the sum of 46,788 *yen* was set apart toward that object for 1897-98.

*VII. Subsidies to the Industrial Bank of Japan
and to local industrial banks.*

It was decided in 1896-97 to establish the Industrial Bank of Japan and local industrial banks, and toward the execution of the plan it was decided to give the subsidy of 2,060,000 *yen* in 1897-98.

VIII. Subsidy to the Formosan Railway Company.

In view of the fact that the trunk line passing through Formosa from north to south would be an essential factor in the exploitation of that island, the Government decided to give permission to the Formosan Railway Company to construct the trunk line mentioned above and the consent of the Diet was secured for a measure to guarantee 6 per cent. per annum interest on the paid-up part of the company's capital (15,000,000 *yen*), for twelve years, after the company begins its business. For 1897-98 the sum of 176,250 *yen* was set apart for this subsidy.

IX. Extension of telegraphic communication.

To lay additional telegraphic wires between Tokio and Sapporo, between Tokio and Kagoshima, by way of Kofu, Matsumoto, Nagoya, Tsu, Shimonoseki and Kumamoto, between Tokio and Aomori, by way of Utsunomiya and Sendai, the sum of *yen* 296,746.063 was estimated as the fund needed, the undertaking to be completed in two years. The amount needed for 1897-98 was *yen* 234,280.643.

Besides the above scheme, the sum of *yen* 408,592.840 was set apart for newly laying wires or laying additional wires between Tokio and Osaka, Osaka and Tokushima, Osaka and Marugame, Otaru and Wakanai, &c.

X. The fishery-training institute.

With the recent development of the fishing industry, there arose an increased need for men trained on the subject of fishery, who might become leaders in introducing the necessary reforms and encouraging the fishing industry of the country. For this purpose, the fishery-

training institute was to be established and the sum of *yen* 28,424.170 was placed in the budget of 1897-98.

The above are the most important items in the budget estimate of 1897-98 and it will be seen that they all belonged to the *post-bellum* programme.

CHAPTER III.

THE BUDGET FOR 1898-99.

SECTION I.

The proposed budget for 1898-99 which was never adopted.

The budget estimate for 1898-99 was never passed, owing to the dissolution of the 11th session of the Diet, so that the budget for the previous year was carried out for this year, according to the provision of the Constitution. For this reason there is no new budget estimate for 1898-99 to speak of, except the supplementary estimates passed in the 12th and the 13th sessions of the Diet. Since, however, the budget scheme which was drawn up to be presented to the 11th session of the Diet forms an important step in the development of the *post-bellum* programme, its main outline will be explained in the present section.

The budget estimate which was partly presented to the 11th session of the Diet set down the sum of *yen* 212,114,119.000 as the receipts and the sum of *yen* 233,723,708.000 as the expenditures. The deficit of revenue amounted to the sum of *yen* 21,609,589.000.

Note :—The figures for the receipts show the amount given in the budget estimate, while those for the expenditures include, besides the amount given in the budget, the sum of 4,285,121 *yen* which was to be expended in making good the deficit in the special *comptabilité* of Formosa.

The estimated expenditures above given were less, by more than 15,000,000 *yen*, than the expenditures in the previous year. Yet this was due to decrease in the extraordinary war expenditures to be provided for either by the Indemnity money or public loans. Since,

however, with the decrease of these expenditures the receipts from the sources above mentioned would decrease proportionally, the fact of that decrease did not produce any change in the estimate as a whole. Yet on the other hand owing to the increase in the items of expenditure to be charged to the ordinary receipts, there resulted, after all, a deficit of revenue to the amount of about 21,000,000 *yen*.

In drawing up the estimate for 1898-99, many earnest efforts were made, in view of the yearly increase of expenditure, to restore the parity between the receipts and the expenditures by postponing new undertakings, except those which were unavoidable, to a future time. Yet it was necessary to carry out those measures which had already been determined upon, and it was impossible to prevent the increase of expenditures and the consequent appearance of deficits, on account of many costly items found in those measures, such as subsidies to navigation lines and the expenditures for meeting the deficit in the revenue of Formosa.

When the law for encouraging navigation was first enacted, the limit of amount of annual subsidy to be granted by the Government was fixed at 1,000,000 *yen*. Yet, owing to the great increase of our merchant fleet, the amount of subsidy had now to be increased to about 1,700,000 *yen* in 1897-98, while the amount rose yet further to more than 5,000,000 *yen* in 1898-99. The deficit of revenue in Formosa was made up for a few years since 1896-97 by surpluses in the Treasury or by the Indemnity fund—thus calling upon the extraordinary receipts. Yet the forecast now became clear from the regular shape which the Formosan administration assumed that, for some years to come, there would be a deficit of

some 10,000,000 *yen* which would have to be made good from the State Treasury. Not only was it now the most proper course to take to look to the ordinary receipts of the Government to make good that deficit, but there was no other course left open since the surplus money of the Treasury had all been spent and the Indemnity fund already set apart for various definite objects.

Not only were there, on the one hand, this increase in subsidies for the encouragement of shipping and the extension of navigation lines and the call for part of the revenue of the Government to meet deficit in the revenue of Formosa, but there were on the other hand various items of decrease in the revenue. That part of the registration tax referring to the domicile registration was abolished, the contributions by all officials in the Government service toward the expenses of building war vessels was stopped and the receipts from the business tax did not come up to the estimated amount; on account of these various items of decrease, there now occurred a reduction of about 5,000,000 *yen* from the estimated receipts. For this reason, Count Matsukata, Finance Minister at that time, determined to cover the deficit of revenue by increasing the rates of land and saké taxes, and a bill for the increased taxation was drawn up to be presented to the 11th session of the Diet. But, unfortunately, the Diet was dissolved the day after it had been opened, and the budget estimate for 1898-99 was never passed and the scheme of increased taxation had to be left unrealized for the time being.

The following statement shows the receipts and expenditures on account of the increased taxation according to the scheme drawn up in 1898-99:—

*Increased receipts according to the proposed scheme
of increased taxation.*

Increased tax on rice fields . . .	9,972,465. ^{yen} 000
Increased tax on farms	2,027,885.000
Increased tax on house-lots . . .	1,798,347.000
Increased saké tax	11,221,420.000
Total	25,020,117.000

Reduction in the receipts.

Reduction in the tax on saké for household use	659,607. ^{yen} 000
Abolition of dues for domicile re- gistration	1,381,764.000
Amount from the business tax short of the estimate	1,717,252.000
Total	3,758,623.000
Balance, being the amount of net increase	21,261,494.000

*The expenditures to be provided for by the increased
receipts from increased taxation.*

Expenditures connected with For- mosa	13,717,519. ^{yen} 000
Expenditures for encouraging shipping and extending navi- gation lines	5,256,636.000
Expenses of collecting taxes . . .	172,976.000
Prison expenses, now to be charged to the State Treasury	3,555,409.000
Total	22,702,540.000

Note:—The full revenue from the increased taxation would be realized only in 1899–1900,—the estimates in the above statement being intended for that year.

The amount of reduction from the discontinuance of contributions by the Government officials toward the expenses of building war-ships is not mentioned in the foregoing statement, since, though it would affect the receipts of 1898–99 which had been already determined, it would cease as a matter of course before the budget for 1899–1900 is prepared.

The expenditures for the State maintenance of prisons were intended to be charged to the State Treasury from 1899–1900.

SECTION II.

The supplementary budget.

The supplementary budget for 1898–99, which was presented to the 12th session of the Diet and passed, consisted of receipts amounting to *yen* 310,408.999 and expenditures amounting to *yen* 13,851,236.600; another supplementary budget for the same year presented to the 13th session of the Diet, consisted of receipts amounting to *yen* 4,890,318.700 and of expenditures amounting to *yen* 11,965,669.768; the figures in the two budgets added together make the gross receipts of *yen* 5,200,727.699 and the gross expenditures of *yen* 25,816,906.368, which being balanced produced the deficit of *yen* 20,616,178.669. This deficit was to be made good from the Indemnity money and by a temporary loan. That there arose so large a deficit in these supplementary budgets was mainly due to the fact that the proposed scheme of increased taxation was not passed in the 11th session of the Diet, which compelled the Government to resort to the use of the Chinese indemnity fund and to a temporary loan.

Although the total estimated expenditure in the supplementary budgets for 1898-99 rose to so large an amount, the increase was due largely to the increase in the items of expenditure which were unavoidable; such as the expenditures for relief of suffering from natural calamities or other expenditures arising as the effects of certain laws or in consequence of legal obligations of the Government or in the course of development of the pre-determined programmes. It may be said, therefore, that scarcely any new enterprise was undertaken by the Government, except one or two undertakings made unavoidable in view of the going into operation of the revised treaties and the new codes of laws. The most noteworthy items in these budgets are the additional expenditures for setting up the iron foundry and for making a loan to the company expecting to take over the rights over the Söul-Chemulpo railway. And since the additional expenditures for the iron foundry amounting to *yen* 1,474,056.000 were to be provided for by a public loan, the public works loan to be issued for this purpose which was estimated at 135,000,000 *yen* when the plan was first adopted in 1896-97 had to be now increased to the sum of 140,358,989 *yen*. If to the last-named sum be added the amount of the Hokkaido railway bonds to be issued, i. e. *yen* 18,562,050.000, the entire amount of the public loans to be issued for the carrying out of the *post-bellum* programme would stand at *yen* 158,921,039.000.

*Note:—*Although according to the plan adopted in the financial programme of 1896-97, the interest on that part of the public loan relating to expenditures connected with railways and the telephone service—the interest for the first year which amounted to *yen* 1,278,080,000—was to be paid out of the proceeds from the loan, yet after 1897-98 that interest which

would amount to *yen* 1,115,073.000 from that year was transferred to the charge of the ordinary revenue of the Government. Hence to get at the figures showing the actual amount of the public loans to be issued, this last sum mentioned would have to be deducted from the original estimated amount of the loans to be issued, i. e. 135,000,000 *yen*, and then to the remainder would have to be added the sum of *yen* 6,474,056.000, the loan to be issued on account of the additional expense of setting up the iron foundry, and, besides, the sum of 6 *yen*, being the amount of the fractions at first written off. This process would give us *yen* 140,358,989.000 as the revised amount of the public works loan bonds to be issued.

The reasons which made it necessary for the iron foundry to demand additional expenditures as well as the circumstances which led the Government to make a loan to the company expecting to take over the rights connected with Söul-Chemulpo railway are as follows:—

When the scheme of setting up an iron foundry was first adopted in 1896–97, the gross expenditure was estimated at the sum of *yen* 4,095,793.400, to be disbursed between 1896–99 and 1899–1900 inclusive. Yet it was soon found that, if the newest and most advanced methods now in vogue in Europe and America were to be introduced, the original plans would have to be greatly modified and the expenditures proportionately increased. For this reason the scheme was revised and made to extend to 1901–02, and the expenditures increased by 6,474,056 *yen*. On account of this increase, the total estimated expenditure for establishing the iron foundry reached the sum of *yen* 10,569,849.400. No increase, however, was to take place in the annual estimate of expenditures till 1899–1900.

The right to construct railway between Söul and Chemulpo was obtained from the Korean Government and

the undertaking actually commenced by an American, named Morse. Yet owing to the difficulty of raising a sufficient fund to complete the undertaking, he wished to transfer the right and the whole concern to some other hand. Seeing how important a relation this railway would hold, when completed, to the trade of the Empire with Korea, the leading business men of Tokio and Yokohama organized a company for buying the Söul-Chemulpo railway from Mr. Morse and actually completed the contract to that effect. The company, however, finding it difficult to raise a large amount of money at that time in view of certain unfavourable conditions of the money market, applied to the Government for a temporary loan of 1,800,000 *yen*, which was a part of the fund needed to take over the railway into Japanese hands. The request of the company was granted and the loan made accordingly.

SECTION III.

The scheme of increased taxation, presented to
the 12th session of the Diet.

It will be remembered that the increased taxation scheme was drawn up with special reference to the increase of taxes on lands and saké, as a measure intended to make up the deficit of revenue caused by expenditures on account of navigation subsidies, the expense connected with Formosa and the State maintenance of the prisons of the country. The scheme presented to the 11th session of the Diet was never passed, owing to the dissolution, of that Diet. For this reason, an enormous deficit was produced in the financial estimate of 1898-99, which was made good by drawing on the Chinese indemnity and by a temporary loan. It was thus easy to see that the same difficulty

would be met with in the budget of 1899–1900; and other things also combined to make the expectation of meeting with such a difficulty still more certain. The sudden expansion of industrial enterprises during the years following the Chino-Japanese war had upset the equilibrium of economic affairs, raising the prices and wages in an extraordinary manner, which correspondingly increased the national expenditures. Count Inouye, Finance Minister at that time, in preparing the budget for 1899–1900, drew up a bill for increased taxation as a most pressing measure in connection with that budget and presented it to the 12th session of the Diet. Yet since the House of Representatives held different views concerning the increase of land tax from the scheme presented by the Government, the bill for the increased taxation was rejected. The Diet, too, being dissolved soon after, the increased taxation scheme was again left unrealized.

The scheme above mentioned, which was presented by the Government to the 12th session of the Diet was fully explained in a statement of reasons for the increased taxation bill, which was circulated at the time among the members of the Diet. A brief digest of that statement is herewith given, as follows:—

Although the preparation of the budget estimate for 1899–1900 is not yet fully completed, yet it will not be an unreliable statement to say, by basing our estimate on the previous year's account, that there will be during the present year, aside from the income through public loans and the fund to be transferred from the Indemnity, ordinary receipts of about 142,000,000 *yen* and extraordinary receipts of about 1,000,000 *yen*, the two items making a total of some 143,000,000 *yen*; on the other hand, concerning the amounts of expenditure, it may be

said that excepting those items which are to be provided for by means of public loans and the use of the Indemnity money, there will be ordinary expenditures of about 118,000,000 *yen* and extraordinary expenditures of about 23,000,000 *yen*, the two items making a total of some 142,000,000 *yen*. The above figures alone would show, indeed, that there will be a surplus of revenue to the amount of some 1,500,000 *yen*. Yet in the above figures for expenditures a number of important items have not been included, such as the expenses in connection with Formosa, the subsidies on navigation lines, as well as items connected with newly proposed enterprises such as the redemption of public loans, the maintenance by the State of the prisons of the country and other increased expenditures resulting from the rise of prices and wages,—these various items put together making about 37,000,000 *yen*. If, now, this sum is balanced with the surplus of about 1,500,000 *yen* previously mentioned, we get about 35,000,000 *yen* as the amount of deficit for 1899–1900. It will be clear, therefore, that the question we can not avoid facing in drawing up the budget for 1899–1900 is to find some sources of revenue for making up this deficit. The particular items of expenditure which cause this great deficit are as follows:—

Various expenses connected with	
Formosa	11,240,000.000 ^{<i>yen</i>}
Subsidies to navigation companies.	4,870,000.000
Redemption of public loan bonds.	7,000,000.000
Maintenance of prisons from the	
State Treasury	3,550,000.000
Fund for the relief of sufferers from	
natural calamities	500,000.000

Interest on the revived-pensions loan bonds	<i>yen</i> 460,000.000
Increased expenses resulting from the rise of prices	6,860,000.000
Expenses of various undertakings in connection with the going into operation of the revised treaties, etc.	2,500,000.000
Total	37,000,000.000

Now deducting the surplus of about 1,500,000 *yen* in the estimate previously mentioned from the above sum of about 37,000,000 *yen*, we get about 35,000,000 *yen* as the net deficit for 1899–1900.

Explanations:—

“Various expenses connected with Formosa” include the expenditures for making up the deficit in the revenue of the civil government of Formosa and the various military and naval expenses connected with the defense of that island. These expenditures hitherto amounted to more than 15,000,000 *yen* annually, but in the present estimate they are reduced to some 11,000,000 *yen* as a step toward further future reduction. These items have been met hitherto by employing either the Indemnity money, or the surplus of revenue in the previous year’s account, yet it is now thought that such a temporary measure is no longer fitting to meet this kind of expenditures; and it is intended to charge these items to the ordinary revenue from 1899–1900.

“Subsidies to navigation companies” amounted to but about 1,000,000 *yen* according to the programme of 1896–97. But after the coming into force of the law for the encouragement of navigation, there took place a great increase in the number of ships on lines extending to

foreign countries, which increased proportionally the amount of subsidies to be granted. The Government intends, therefore, to make amendment in the law so as to limit the amount of subsidies, yet for the increase of ships which has already taken place, the Government can not evade applying the existing law. The estimate of 4,870,000 *yen* for 1899–1900 was made by adding 1,000,000 *yen* to the estimate for 1898–99. For this also a new source of revenue is wanted.

It has been the rule hitherto to set apart 7,000,000 *yen* toward the redemption of public loans. But the conditions have become greatly changed now from what they were before the War. The increase of national indebtedness in the form of public loans has since increased with great rapidity on account of the war loan, the public works loan, the railway loan, besides the other loans in the already determined programme amounting to about 160,000,000 *yen*. These loans are, according to the financial scheme adopted in 1896–97, to be redeemed in about forty two years. It seems, however, in view of the prevailing stringency in the money market since last year, that the adoption of a plan for speedy redemption will greatly relieve the market, besides increasing in foreign countries the financial credit of the Government. Such an increase of credit just now is very desirous in view of the possible need of issuing a foreign loan as part of the public loan of 160,000,000 *yen* to be hereafter issued,—singling out for this purpose such portions of the loan as are intended for works of productive nature.

That the expenses of maintaining the prisons of the country should be charged to the State Treasury, instead of charging them to the prefectural treasuries as has been

the case hitherto, has for several years past been regarded as a most necessary reform, which would inevitably lead to reforms in prison management. Nevertheless, owing to some financial difficulties, that most necessary change has not yet been accomplished. But it seems that we can no longer delay taking steps for the reform of our prisons, in view of the coming into operation of the revised treaties; and those reforms could best be introduced by first transferring the prison accounts from prefectural treasuries to the State Treasury. It is estimated that the cost of maintaining the prisons will be about 4,500,000 *yen* a year, and by deducting the revenues belonging to prisons,—about 1,000,000 *yen*,—we get about 3,500,000 *yen* as the annual amount to be charged to the account of the State.

“Fund for the relief of sufferers from natural calamities” is intended to be a contribution to the prefectural provident funds, which now need replenishing, having become of late so much reduced as to be insufficient to meet the possible emergencies from natural calamities. This reduction was due to the total extinction of the central provident fund in 1897–98, so that no contribution has been made since then toward replenishing the prefectural funds. It is now planned to have the Calamity Fund Law passed and about 500,000 *yen* annually contributed from the State Treasury, so that the object for which the provident funds were created may be further perpetuated.

“Interest on the revived-pensions loan bonds” is the estimated amount of the interest on the public loan to be issued as a result of the operation of the law concerning the revived pensions of old Samurai, which was passed in the 10th session of the Diet.

On account of the rise of prices since 1896–97, some

increase of the administration expenditures is found to be necessary. It is now proposed to make the increase of 15 to 30 per cent. on the salaries of subordinate officials, in the administration expenditures of the Government departments, in the items of expenditure for repairs, the travelling expenses of officials, miscellaneous wages and other miscellaneous expenses.

“Various undertakings in connection with the going into operation of the revised treaties” include such items as the expansion of custom-house service and various other administrative reforms, made necessary in view of the changed status of the country.

It will be seen thus that the increase of expenditures, as shown in the foregoing statement, can not be avoided in the present circumstances. A part of the deficit thus created, i. e. the part relating to the expenditures connected with Formosa and the subsidies to navigation companies amounting altogether to some 16,000,000 *yen*, is the direct consequence of carrying out the programmes already fixed, and the other part relates to such items as can not possibly be avoided, either as the natural consequence of the changed economic condition of the country, or in view of the coming into force of revised treaties, or further as an effect of certain laws. The increase of receipts through increased taxation, then, is a measure of first importance in the present circumstances of the country.

The plan of the Government is to seek the increase of revenue from changes in the rate of taxes on land, saké and incomes, as well as in the railway fares and telegraph charges. The following statement gives the particular items of increased receipts according to the Government estimate:—

Increase in land tax	17,550,000.000 ^{yen}
„ „ income tax	1,640,000.000
„ „ saké tax	12,410,000.000
Increased revenue from telegraph service	430,000.000
Increased revenue from railway service	3,240,000.000
Total	35,270,000.000

The scheme of increased taxation presented by the Government to the 11th session of the Diet was intended to increase the revenue by about 25,000,000 *yen* on account of increase in the rates of land and saké taxes, with the view to covering the increased expenditures on account of increased subsidies to navigation companies, the expenses connected with Formosa and those connected with the state-maintenance of prisons. The scheme presented to the 12th session of the Diet was intended to meet other items of increased expenditure besides the two mentioned above, such as redemption of public loans, contributions to calamity funds, interest on the revived-pensions loan bonds, and the increased civil administration expenses made necessary on account of the rise of prices,—the increased revenue being obtained from increase in the land, income and saké taxes, as well as in the railway and telephone charges. The increased revenue would amount, as was shown by the preceding statement, to some 35,000,000 *yen*. The plans were different in the two cases, because the needs were different; yet they both had one and the same aim, i. e. the complete carrying out of the *post-bellum* undertakings programme. Since, however, neither scheme was passed, another scheme had to be drawn up instead and presented to the 13th session of the Diet.

CHAPTER IV.

THE BUDGET FOR 1899-1900.

SECTION I.

The receipts and expenditures.

The budget for 1899-1900 consisted of the gross receipts of *yen* 246,953,074.572, of which the ordinary receipts amounted to *yen* 178,558,944.000 and the extraordinary receipts to *yen* 68,394,130.572; and of the gross expenditures of *yen* 246,451,706.572, of which the ordinary expenditures amounted to *yen* 140,962,801.065 and the extraordinary expenditures to *yen* 105,488,905.707. There were to be, thus, according to these figures a surplus of *yen* 501,368.000.

Note:—Of the above-mentioned surplus, 501,368 *yen*, the sum of 26 *yen* is due to a change in the method of counting the public loans issued, which was previously counted according to the actual proceeds but now counted according the face value of the bonds; so that by deducting this sum we get 501,342 *yen* as the surplus. But, on the other hand, we must take into consideration that there were to be a reduction in receipts from the abolition of certain taxes, &c., amounting to 1,001,342 *yen*, which being balanced with the surplus amount above given we get the deficit of 500,000 *yen*. Yet owing to the fact that the same amount out of the expenses to be met by the proceeds from public loans were to be transferred to the next year's account, there would in reality be no deficit at all.

Besides the budget estimate given above, there is the supplementary budget presented to the 14th session of the Diet and passed, i. e. the supplementary budget for 1899-1900 consisting of the receipts of *yen* 5,646,339.701 and of the expenditures of the same amount; but since this estimate all refers to matters of a temporary nature and bears no relation to the general financial scheme, it is herewith omitted.

The receipts for 1899–1900 consist of the customary revenues, the increased revenues from new taxes, &c., the fund transferred from the Indemnity, the proceeds from public loans and the fund borrowed from the Indemnity. The particular items are as follows:—

Items in the receipts for 1899–1900.

Customary revenues*	145,603,071. ^{yen} 000
Revenues from new taxes, &c.	35,151,901.000
Proceeds from public loans	24,666,900.000
Fund transferred from the Chinese indemnity	31,818,364.000
Fund borrowed from the Chinese indemnity	9,712,838.572
Total	246,953,074.572

Items in the increased revenues from new taxes, &c.

Land tax	7,078,583. ^{yen} 000
Income tax	1,494,516.000
Saké tax	15,114,466.000
Soy tax	1,252,070.000
Customs duties	605,060.000
Tonnage dues	317,315.000
Tax on the notes issued by the Bank of Japan	1,159,560.000
Registration tax	1,603,882.000
The leaf-tobacco monopoly	1,709,289.000
Revenues from post and telegraph services	2,159,160.000

* In the item of customary revenues is included the sum of 813,958 *yen* of the forestry fund, which was to be received into the General Account according to the budget for 1899–1900,—such a transference of the forestry fund being first made this year.

Revenues from the railway service	1,826,250.000 ^{yen}
License duties on the sale and the manufacture of cigars and ciga- rettes	831,750.000
Total	35,151,901.000

Items in the proceeds from public loans.

Railway loan	9,212,900.000 ^{yen}
Public works loan	11,254,000.000
Hokkaido railway loan	1,000,000.000
Public works loan for Formosa	3,200,000.000
Total	24,666,900.000

The expenditures for 1899–1900 consist of the amounts paid out of the revenues from the customary sources and from the new taxes, from the proceeds from public loans, from the Chinese indemnity and from the fund borrowed from the Indemnity. The items are as follows :—

Items in the expenditures for 1899–1900.

Paid out of the customary reve- nues and the revenues from new taxes	179,753,652.434 ^{yen}
Paid out of the proceeds from public loans	25,166,851.880
Paid from the Chinese indem- nity	31,818,363.686
Paid from the fund borrowed from the Chinese indemnity	9,712,838.572
Total	246,451,706.572

SECTION II.

Scheme for covering the deficit for 1899-1900.

The budget for 1899-1900 was accompanied by more than ten supplementary budgets whose relations to each other were somewhat complex and the scheme for covering the deficit was changed a number of times before it was finally adopted by the Diet. For this reason, it will be necessary to begin with the story of the budget itself in order to explain the scheme for covering the deficit.

In November of 1898, when Marquis Yamagata's Cabinet was organized and Count Matsukata assumed the charge of the financial administration, the time for the meeting of the 13th session of the Diet being at hand and there being no time for the preparation anew of the budget estimates, it was decided to present without alteration the budget estimates which had been prepared by the previous Cabinet. The main items in the budget were the receipts of 188,738,437 *yen*, the expenditures of 226,344,792 *yen* and the balance showing the deficit of 37,606,355 *yen*. The existence of this large deficit as has been stated was mainly owing to the increase of expenditures on account of the increased navigation subsidies, the expenses connected with Formosa, the military and naval expansion expenditures, the expenses connected with the going into operation of the revised treaties as well as of the going into force of the new codes of laws, the educational expenses and the increased administration expenses resulting from the rise of prices.

It has already been stated that, in the 11th and 12th sessions of the Diet, the Government made two attempts to find the sources of revenue for meeting the expenditures on account of subsidies to navigation companies and the expenses connected with Formosa and the increased

administration expenses resulting from the rise of prices. The increase in the military and naval armament expenses was unavoidable, since it arose from carrying into completion the organization of the seventh army corps, the construction of forts in Tsushima Island, the Pescadores and in Keelung, and the completion of war-vessels and torpedo-boats in the course of building. Then again, the expenses connected with making preparations for the coming into force of the revised treaties and the new codes of laws were also of prime importance and could not be postponed. The following are the various items constituting the increased expenditures in the present budget:—

Subsidies to navigation companies for encouragement of navigation and for expansion of navigation lines	3,790,462.000 ^{yen}
Expenses connected with Formosa	12,121,597.000
Military armament expenses . . . (beyond the estimate already fixed)	1,275,310.000
Naval armament expenses . . . (beyond the estimate already fixed)	3,578,368.000
Military expansion expenses . . . (beyond the estimate already fixed)	5,140,798.000
Extraordinary expenses for re- pairing of war-vessels and tor- pedo-boats	440,432.000
Expenses of making preparations in view of the coming into force of the revised treaties and the new codes of laws	1,961,425.000
Educational expenses	1,508,310.000
Increased administration expenses of the Government	6,141,562.000
Total	<u>35,958,264.000</u>

Note:—The three items concerning the armament expenses give the estimated increase of expenditures beyond the amounts already fixed in the budget for 1897–98 and the amount of increase in each case is the expenditure necessary for 1899–1900 for carrying out the ten year programme.

The expenses of making preparations in view of the coming into force of the revised treaties and of the new codes of laws include such items as the expenses connected with diplomatic business, with the school for the training of police and prison officials, with the work of dredging the Yokohama harbour, with the custom-house business, with making improvements in the wharfs for unloading cargoes in Yokohama and Kobe and with the judiciary business.

Besides the items mentioned above, there were two other items which increased the amount of deficit—namely, the sum of 1,001,342 *yen* which failed to be received on account of the abolition of certain taxes and the sum of 1,648,091 *yen* needed to pay the expenses of collecting new taxes. The two items when added to the amount of deficit given above raise the amount to 38,607,697 *yen*. Yet since a part of this deficit could be met by the surplus in the customary revenues, &c., the net deficit was finally reduced to the sum of 37,606,355 *yen*.

It ought to be remembered that as the foregoing statement was the estimate presented by the Government, it was naturally somewhat different from the final form it took after it was passed in the Diet.

It was thus made apparent that there would be a deficit of about 37,000,000 *yen* in the receipts of 1899–1900, and that as the scheme of transferring the maintenance of prisons to the charge of the State Treasury and of making contributions to the provident funds of the prefectures, &c., would have to be adopted sooner or later in order to carry out the programme of the *post-bellum*

undertakings, the Government was obliged to find some new sources of revenue amounting to some 46 or 47 millions. It would be impossible to look for further relief to the Chinese indemnity and the proceeds from public loans; for not only had the remaining portion of the Indemnity money been largely portioned out toward different objects of expenditure, and the yet remaining portion turned into public bonds—leaving but a very small amount in cash—but the issuing of public loans had become very difficult on account of the stringency of the money market at home. So these two sources of revenue had now become unavailable. Besides, the kind of expenditures for which the Government was now seeking sources of revenue was such that it would be but a mere makeshift still to rely, at this stage in the course of *post-bellum* financial administration, on these extraordinary sources of revenue, and such a course would certainly have greatly weakened the foundation of our national finance. For these reasons, Count Matsukata found it impossible to find any other source of revenue than increased taxation and accordingly presented the bill embodying the scheme of increased taxation to the 13th session of the Diet,—the plan being to obtain an additional revenue from land tax, income tax, saké tax, tonnage dues, registration tax, the leaf-tobacco monopoly and the duty on the net profit of the Bank of Japan, in amount about 46,000,000 *yen* a year. For 1899–1900, however, the amount thus estimated would not all be realized, only 34,000,000 *yen* being collectible, (owing to certain circumstances connected with the time of collection, &c.), so that the balance which would be the deficit for this year was to be met by temporarily borrowing from the Indemnity fund. The items of increased taxation according to the

new scheme were as follows :—

Land tax	17,644,113.000 ^{yen}
Income tax	1,494,516.000
Saké tax	22,556,409.000
Tonnage dues	475,972.000
Registration tax	1,603,882.000
Leaf-tobacco monopoly	1,082,133.000
Duty on the net profit of the Bank of Japan	<u>1,237,150.000</u>
Total	46,094,175.000

The Diet, however, introduced an amendment reducing the revised rate of the land tax from 4 per cent. of the legal values of lands, which was the rate proposed by the Government, to 3.3 per cent. and limited the operation of the revised rate, as thus amended, to five years. This reduction of rate reduced the estimated amount according to the Government scheme by about 9,000,000 *yen*, so that the Government was compelled to find some other sources of revenue to make up for this reduction. The plan of obtaining some 6,000,000 *yen* annually by introducing house tax and increasing the rate of soy tax and of postage was now drawn up and proposed to the Diet. But as there was strong opposition to the house tax, and, on the other hand, since the House of Representatives made amendment in the revised law concerning the leaf-tobacco monopoly, so as materially to increase the revenue from that monopoly beyond what was contemplated by the Government, it was finally decided to regard this increase as taking the place of the intended revenue from the house tax and the latter proposal was withdrawn. At this, the Diet passed all the measures for increased revenue proposed by the Government and the great ques-

tion of increased taxation, the subject of so many years' contentions, was now finally solved. The items for increased taxation, as finally fixed, were as follows:—

Land tax	8,475,958.000 ^{yen}
Income tax	1,494,516.000
Saké tax	22,556,409.000
Tonnage dues	237,986.000 *
Registration tax	1,846,759.000 *
Leaf-tobacco monopoly	2,145,550.000
Tax on the notes issued of the Bank of Japan	1,159,560.000
Soy tax	1,598,387.000
License duties on the trade in tobacco	831,750.000
Revenues from post and telegraph services	1,673,344.000
Total	42,020,219.000

The above total is the estimate for a whole year and is less than the total of the estimates proposed by the Government, by about 4,000,000 *yen*. And since, according to the plan now adopted, only about 32,800,000[†] *yen* were available for 1899–1900, it was decided to meet the deficit resulting therefrom by borrowing from the Indemnity. There were, besides, a number of supplementary budgets introduced this year, so that the expenditures for the year were greatly increased, producing ultimately a deficit of about 9,700,000 *yen* which was all met

* The discrepancies between these figures concerning the tonnage dues and the registration tax and the estimate proposed by the Government are due to the amendments, adopted by the Diet, on the original measures of the Government.

† In this is included the revenue of 605,060 *yen* to be realized from export duties on account of the postponement of the proposed abolition of the export duties.

by resorting to temporary loans from the Indemnity money.

The foregoing, then, gives the history in brief outline of the scheme of covering the deficit for 1899-1900. And although it is to be regretted that, compared with the scheme first proposed by the Government, the scheme finally adopted brought in less revenue by about 4,000,000 *yen*, yet after all it was justly regarded as a cause for much satisfaction that, through the adoption of this scheme of increased taxation, the *post-bellum* financial difficulties had been overcome and a firm foundation laid for the future financial policy.

Aside from the scheme of increased taxation for covering the deficit of revenue, a revision of telegraph charges and railway fares was accomplished in 1899-1900, and thus a further revenue of about 2,200,000 *yen* was secured which was devoted toward extending the telegraph system and making other improvements in the means of communication.

Four years had now passed since the war with China took place and in this brief space of time two different schemes of increased taxation had been adopted. The first scheme was introduced in the 9th session of the Diet and at once passed, but great difficulty was experienced in bringing about the adoption of the second scheme. It was introduced in the 11th and 12th sessions of the Diet but was never passed, and only in the 13th session of the Diet was it finally passed as has just been narrated. It may be said that the *post-bellum* undertakings programme had now passed through an important stage in the course of its development. The following are the gross amounts of the increased receipts, as the result of the adoption of these two schemes of increased taxation:—

The first scheme of increased	
taxation	33,576,293. ^{yen} 000
The second scheme of increased	
taxation	42,020,219.000
Total	<u>75,596,512.000</u>

SECTION III.

The public loan.

In the budget for 1899–1900, the items of expenditures which were paid from the proceeds from public loans were those which were charged to the public works loan, the railway loan, the Hokkaido railway loan, besides the class of expenditures charged to the Formosan public works loan which was issued anew.

The items charged to the public works loan consisted of, besides those already on the programme, the additional expenditure of 8,632,845 *yen* for the establishment of the iron foundry. On this account, the total amount of the public works loan was increased, being revised to stand at 148,991,834 *yen*.

The Hokkaido railway construction for the year did not demand any additional expenditure; and the Hokkaido railway loan issued this year remained the same as had been already determined.

The Formosan public works loan, which was to be 35,000,000 *yen* in amount, was to be issued in order to cover the expenses connected with the construction of Formosan railways, land surveying, harbour construction, building of government offices and official residences—all these enterprizes being undertaken for the first time in 1899–1900.

The above various loans have all been issued since 1896-97, and had reference without exception to the carrying out of the *post-bellum* programme. The following are the various items of the public loans issued:—

The public works loan 148,991,834.^{yen}611
Items under the above are:—

Military expansion expenditures . .	18,459,483.804 ^{yen}
Naval expansion expenditures . .	58,999,423.196
Expenses of establishing the iron foundry	18,622,932.380
Construction of railway between Sorachibuto and Asahigawa . .	1,178,331.000
Setting afoot the leaf-tobacco monopoly	12,213,550.000
Extension of the telephone service .	12,802,106.731
Improvements made in the Government railways	26,553,000.000
Interest for the first year on that part of the public loan relating to expenditures connected with railways and the telephone service . . .	163,007.500
The Hokkaido railway loan . .	18,562,050.000
The Formosan public works loan	35,000,000.000

Items under the above are:—

Improvement and construction of Formosan railways	28,800,000.000
Construction of Harbour at Keelung	2,000,000.000
Extraordinary expenses for the surveying and examination of lands in Formosa	3,000,000.000
Construction of Government offices and official residences	1,200,000.000

Total 202,553,884.611

The expenditures for the construction of the first period portion of railways under the railway construction programme had been up till 1898-99 placed under a special

comptabilité, but now was transferred to the General Account to be treated in the same way as other expenditures through public loans.

Now this so-called "first period portion" of railway construction was determined according to the Railway Construction Law, Law No. IV of the 25th year of *Meiji* (1892); and the public loan was to be issued to meet the expenses of building railways on the "first period portion" within the limit of 60,000,000 *yen*. In 1893-94, the railway works were commenced between Fukushima and Aomori, and between Tsuruga and Toyama, at the estimated expenditure of 18,451,080 *yen*. In 1895-96, the works were commenced between Hachioji and Nagoya, between Kaidaichi and Kure, between Yatsushiro and Kagoshima, between Himeji and Sakai, and between Shinonoi and Shiwojiri, at the estimated expenditure of 41,470,583 *yen*. But in 1897-98, it was decided to transfer to a private company the right of railway construction between Kaidaichi and Kure, and, on the other hand, to increase the amount of expenditures for the construction of lines between Tsuruga and Toyama and between Hachioji and Nagoya; and the balance between the items of increase and decrease showed a net increase of 8,103,381 *yen*. In 1899-1900 again, a further increase of 5,133,281 *yen* for works between Tsuruga and Toyama and between Shinonoi and Shiwojiri was decided upon. On account of these items of increased expenditure, the entire amount needed for the "first period portion" of railway construction rose to the sum of 73,158,325 *yen*, which, apportioned among different lines, stands as follows:—

Between Fukushima and Aomori	12,686,129.000 ^{yen}
Between Tsuruga and Toyama .	9,498,168.000
Between Hachioji and Nagoya .	27,120,771.000
Between Shinonoi and Shiwojiri .	7,677,751.000
Between Yatsushiro and Kago- shima	8,226,792.000
Between Himeji and Sakai . .	7,948,714.000
Total	73,158,325.000

SECTION IV.

The Chinese indemnity.

The items of expenditure which were charged to the Chinese indemnity in the budget 1899–1900 were two, namely, the expenditures for the military and naval expansion for the second period and the expenditures for the military expansion for the first period, both under the programme already determined. The remaining portions of the Indemnity fund, as to the ways of disposal of which nothing had yet been determined were now set apart as follows: namely, 20,000,000 *yen* for the use of the Imperial Household and 50,000,000 *yen* for the three items of the war-vessels and torpedo-boats replenishing fund, the education fund and the calamity-reserve fund. Thus was now virtually completed the last disposal of the Chinese indemnity. The account of the ways of disposal of the entire Indemnity Fund stands as follows:—

Transferred to the special <i>comp-</i> <i>tabilité</i> of the extraordinary war expenditures	78,957,164.989 ^{yen}
Military expansion expenditures	56,821,383.249

Naval expansion expenditures	139,263,423.197 ^{yen}
Expenditures for setting up the iron foundry	579,762.020
Extraordinary war expenditures and the extraordinary trans- portation and intelligence ex- penditures connected with the War Office	3,214,484.846
Expenditures connected with Formosa	12,000,000.000
Transferred to the account of the Imperial Household	20,000,000.000
War-vessels and torpedo-boats replenishing fund	30,000,000.000
Education fund	10,000,000.000
Provident fund against cala- mities	10,000,000.000
Total amount disposed of	360,836,218.301

The entire amount of the Indemnity being *yen* 365,194,997.620, there yet remained a balance of *yen* 4,358,779.319, not yet disposed of.

Note.—The sums put down against the three items of the “extraordinary war expenditures” and the “extraordinary transportation and intelligence expenditures connected with the War Office,” and the “expenditures connected with Formosa” are slightly different from the figures for the same items in the final account.

That there are discrepancies between the foregoing statement and the figures given in the section IV chapter III is due to the fact that the former refers to the budget estimate, not to the final account.

SECTION V.

Items of importance.

The items of importance in the financial scheme adopted in 1899–1900 are as follows: the increased taxa-

tion measure, the armament expansion scheme, the adjustment of administrative matters connected with taxation, the reform of the customs administration; the creation of the war-vessels and torpedo-boats fund, of the education fund, of the reserve fund against calamities; the enactment of the law concerning the relief fund against calamities, the extension of the legal limit for issuing the convertible bank notes, the granting of a subsidy to the Bank of Formosa, the establishment of the Colonial Bank of Hokkaido; the revision of the law for encouragement of navigation, the granting of subsidies on stated navigation lines, the expansion of the iron foundry establishment; the special undertakings in connection with the forestry administration, the special undertakings in Formosa, the expansion of the custom-house in Yokohama, &c., &c. Now leaving aside matters connected with taxation, the monetary circulation and the administration of the Chinese indemnity fund, to be separately treated under special chapters, a brief explanation of other matters now adopted is hereby offered, as follows:—

I. The completion of the organization of the seventh army corps and the construction of batteries in Tsushima Island, in Keelung and in the Pescadores.

The *tondenhei*, a system of military settlement in Hokkaido, was a convenient system serving the double purposes of colonization and defence. It had many advantages over the ordinary method of defence in times when the island was yet sparsely settled. But, looked at from a purely military point of view, the system must be pronounced unsatisfactory. In view, therefore, of the present need of fully providing for the defence of

that island, it was decided by the Government to adopt the policy of gradually abolishing the system of military settlements and hasten the completion of the organization of the seventh army corps to be stationed in that island; and the first step toward such organization was taken in 1899–1900. It was estimated that, when the organization of the seventh army corps was completed, its ordinary expenditures would amount on an average to about 2,150,000 *yen* a year. For 1899–1900, there was set down in the estimate the sum of *yen* 493,954.593 for its ordinary expenditures.

Note:—As the *tondenhei* system will be reduced in scope in proportion to the completion of the organization of the seventh army corps, its expenses will also be reduced in the same proportion.

The extraordinary expenditures needed in connection with the organization of the seventh army corps have been given in connection with the estimate of expenditures for the construction, repairs and the out-fits for the first time of batteries in Tsushima Island, Keelung and the Pescadores.

There was now felt a strong need of making adequate defensive provisions in the island of Tsushima, in Keelung and in the Pescadore islands, on account of their strategic positions. For this reason, a scheme of constructing batteries in those places either newly or in increased number was now adopted, and the scheme was to be carried out from 1899–1900. For this programme which was made to cover the years between 1899–1900 and 1905–06 inclusive, the following estimate of expenditures was adopted:—

Construction of batteries . . .	<i>yen</i> 9,829,134.340
Construction, repairs and the out-	

fits for the first time	8,220,583. ^{yen} 122
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In this being included the extraordinary expenses in connection with the organization of the seventh army corps.

Total	18,049,717.462
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Of the above amounts, those which would be needed for 1899–1900 were as follows:—

Construction of batteries . . .	369,569. ^{yen} 170
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Construction, repairs and the outfits for the first time	2,313,941.491
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Total	2,683,510.661
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Note:—Besides the foregoing extraordinary expenditures, there took place for 1899–1900 various increased expenditures on account of the rise of prices, whose particulars were as follows; namely, the increase of *yen* 5,208,478.227 in the expenditures for construction, repairs and the outfits for the first time and of *yen* 3,541.503 in the expenses connected with the Temporary Board of Buildings. On the other hand, there took place the following items of reduction in the estimates for the same year; namely, the reduction of *yen* 3,351,351.099, on account of a slow progress of works, in the already fixed estimate of expenditures for the construction of batteries in the Iyo-Aki Strait and of *yen* 1,450,848.493, on account of a reduction in the foreign exchange rate, in the estimate for the naval expansion expenditures.

The military and naval expansion programme begun in 1896–97, had now already passed through the first and second periods, and with the completion of the organization of the seventh army corps and the construction of batteries in Tsushima Island, in Keelung and the Pescadores now contemplated, the whole programme of national defence would be fully carried out. During the past four years this subject of increased armament constantly formed the chief question in connection with the national

financial administration. The following were the various gross amount of expenditures needed in order to carry out to completion the programme of military and naval expansion :—

Expenditures on account of the military and naval expansion scheme.

Extraordinary expenditures for
the military expansion scheme 101,591,216.^{yen}944

Items under the above :—

Construction of batteries	27,010,197. ^{yen} 545
Construction, repairs and the out- fits for the first time	50,129,699.201
Manufacture of fire-arms	18,341,305.106
Expansion of the factory depart- ments of the arsenals	2,949,107.741
Fund needed for replenishing the floating fund in connection with the Government factories	2,679,790.208
Expenses connected with the Temporary Board of Buildings .	483,117.143

Extraordinary expenditures for
the naval expansion scheme . 211,650,116.348

Items under the above :—

Construction of war-vessels . . .	125,169,547.597
Manufacture of fire-arms	66,355,071.670
Building expenses	20,125,497.081
Total	313,241,333.292

The receipts corresponding to the above amount of expenditures are as follows :—

Public loans	77,458,907. ^{yen} 000
The Chinese indemnity	196,084,806.446
The customary revenues	39,697,619.846
Total	313,241,333.292

II. The revision of the law for encouraging navigation, and the granting of subsidies on stated navigation lines.

A great improvement, especially an increase in the number of the fleet, has taken place in the shipping enterprise of the country, since the going into operation of the navigation-encouragement law, and the Government has now decided to take up a line of policy calculated to utilize these ships for the stated navigation services on more useful lines than hitherto, and at the same time to put a limit to the amount of subsidies granted. According to the new policy now adopted, the Government was to grant subsidies for ten years, between 1900 and 1909 inclusive, on the European line, the Seattle line and the San Francisco line for the fixed time service, and the subsidies granted were to be kept within the amounts fixed as follows: the sum of *yen* 2,673,894.000 on the European line, the sum of *yen* 654,030.000 on the Seattle line and the sum of *yen* 1,013,880.000 on the San Francisco line. At the same time certain amendments were made in the navigation-encouragement law,—according to which the amount granted for the encouragement of navigation being reduced, in the cost of the foreign-built ships to one half of the amount fixed, and the operation of the law being limited to the period of eighteen years beginning with October 1st, 1896.

III. Enactment of the law concerning the fund for relief of calamities.

The past policy of the Government has been to grant aid from the central scarcity-reserve fund to the prefectures, when any of the latter were compelled to undergo large amount of expenditures for the relief of sufferings from calamities. But the central scarcity-reserve fund

had been all spent by 1898-99, and after that year it was impossible for the Government to give aid to the prefectures as in the past. It was for this reason that the new law was now enacted—the law concerning the fund for relief of calamities—in order to inaugurate a new policy in place of the old system of the central scarcity-reserve fund. According to the new system, the minimum amount of the relief fund to be maintained in each prefecture was fixed, while the State was to contribute toward the relief funds of the prefectures the sum of 300,000 *yen* annually for the next ten years; in the case of a prefecture where the amount disbursed exceeded 5 per cent. of that prefecture's fund, the Government contribution toward that fund was to be limited to the amount equal to $\frac{1}{3}$ of that disbursement. The aim of the new policy being to strengthen the basis of the prefectural relief funds and at the same time also encourage the spirit of local self-government. The bill for a law embodying this policy was passed in the Diet and promulgated as a law.

IV. Enactment of the law concerning the method of carrying into operation the law relating to the settlement of questions connected with the disposal of the hereditary and merit pensions.

The law concerning the settlement of questions connected with the disposal of the hereditary and merit pensions was enacted,—that law originating in a bill presented by members of the House of Representatives in the 10th session of the Diet. According to the first article of that law, its object was stated to be to authorize the Government to refund the arrears of annual pensions of *Samurai* who failed to obtain the full equivalents of their hereditary or merit pensions in the form of pension bonds in 1876,—that failure being

due to errors in the estimated amount of pensions made by various Han governments after the enforcement of the Han system of provincial government in September, 1870. Now a grave ambiguity existed in the phrase "errors in the estimated amount of pensions," for it was not explained in any part of the Law, what was exactly meant by the term "errors" and what was the standard according to which those "errors" were to be determined. There were, besides, other points of imperfection in the Law. In order to remedy these defects and declare clearly the spirit of the Law, there was now introduced in the Diet a bill for a law concerning the method of carrying into operation the law relating to the settlement of the questions connected with the disposal of the hereditary and merit pensions. The bill was passed in the Diet and promulgated as a law, thus removing at one stroke a question of great financial and administrative difficulty.

V. Expansion of the iron foundry establishment.

The work of establishing the iron foundry was begun in 1896, to be completed in the year 1899-1900, for the gross expenditure of about 4,090,000 *yen*. In 1898-99, however, an additional expenditure of about 6,470,000 *yen* was voted. The progress of the work was rapid and, in 1899-1900, the time came for making some trial manufactures, so that there arose a necessity of setting apart a floating capital in order to commence the manufacture work of the foundry. Besides, since the work contemplated in the establishment of the iron foundry was large in scope and far-reaching in aim, it came to be realized that the supply of iron-ore, coal, lime, &c. would before long prove to be insufficient if drawn from private sources alone. This and another reason that it

would be more economical if the iron foundry itself owned mines producing iron-ores and other materials mentioned above, led the Government to decide to make the purchase of necessary mines. Another indispensable need for the successful working of the foundry was the speedier completion of harbour construction at Wakamatsu, a place of shipment for the manufactured articles produced at the foundry. For this, it was thought necessary for the Government to give a subsidy to the Wakamatsu harbour works company. On account of all these necessary expenses, an increased expenditure was decided on, so that in 1899–1900 a further sum of *yen* 8,632,845.000 was voted. These several additional expenditures raised the total expenditure for the iron foundry to the sum of *yen* 19,202,694.400. The expenditures needed in 1899–1900 was *yen* 2,845,168,000. The sources of revenue, from which the expenditures connected with the establishment of the iron foundry were met, are as follows:—

Paid from the Chinese indemnity.	579,762.020
„ from proceeds from public loans	18,622,932.380
Total, the gross expenditure in connection with the establishment of the iron foundry	19,202,694.400

VI. *Special forestry administration.*

As it was a thing of the most pressing importance that a right policy be pursued in regard to the administration of the State forests and fields, the Government had a special programme of the forestry administration drawn up covering the period of sixteen years from 1899–1900 to 1914–15. The programme was divided into five parts,

namely, the disposal of the State forests and fields, the surveying of the State forests, the drawing up of a scheme for the adjustment of the State forests, the planting of trees in bare places in the State forests, and the purchase of forests. The aim of the programme was so to reform the present policy of administering the forestry domains that when the whole programme was completed the Government would be able to derive a large revenue from well-grown and flourishing forests. Since the whole undertaking was so extensive as to cover sixteen years in its realization, it was felt that the Government should have some secure revenue to depend upon in carrying out the programme. It was decided to obtain such a revenue by disposing of those portions of the State forests which would become unnecessary in the course of development of the programme; and in order to clearly distinguish between the receipts and the expenditures in connection with the forestry administration, it was decided to set up a special *comptabilité*. For 1899–1900, it was estimated that an expenditure of *yen* 813,958.000 would be needed for the forestry administration.

VII. Special undertakings in Formosa.

The policy of the Government concerning the administration of Formosa,—of practicing economy on the one hand by the reduction of super-numerous officials and offices and, on the other hand, of increasing the revenue of the island by means of increased revenue from old sources and new taxes—has brought about the happy result of bringing down the amount of the annual deficit to be met by State subsidy, to 3,000,000 *yen* for 1899–1900, from 6,000,000 *yen* of previous years. The deficit is expected to decrease gradually and cease altogether in 1910–11.

On the other hand, however, along with adopting such a policy of self-supporting financial administration for Formosa, there was an imperative need of pushing on with those undertakings which would be essential to the full development of the resources of the island. The Government had, therefore, a programme drawn up concerning railway construction, the surveying and examination of lands, the construction of harbours, the water-supply works, and the building of Government offices and official residences, appropriating for these purposes the gross sum of 40,000,000 *yen*, which was to be disbursed through a number of years. This scheme was presented in the 13th session of the Diet. In explanation of these measures the following statement may be made:—that though the right to build the trunk line of railway through Formosa was granted to a private company soon after the cession of the island, on account of the great importance of such a railway from both the military and economical points of view, yet the company had not commenced any work and it did not seem possible for it to accomplish the undertaking, and it was now thought that the only way to have the railway constructed was to have it built by the Government; the lands of Formosa have never yet been carefully examined, and the questions of their ownership were in a most chaotic condition, and several other special circumstances, e.g. certain rights of emphyteusis, the so called *taisoken* and *shōsoken* being in existence, these all presented numerous obstacles in the way of enforcing the land regulations, so that minute researches and investigations with reference to these affairs were now thought necessary; as there are but few good harbours in Formosa and such good ones need much engineering work before they can become fit for the increasing trade of the island,

which has led an increasing number of vessels from home to take shelter in those harbours, the harbour construction was one of the most important undertakings in connection with Formosa; the laying of water-supply system and the construction of offices and official residences need no special explanation as necessary measures intimately connected with the proper administration of Formosa.

In view of the great importance of the measures mentioned above for the proper administration of Formosa, it was now decided to undertake those enterprises, except the construction of water works,—to be begun in 1898–1900 and completed either in 1902–03 or 1908–09; and, in order to meet the expenditure of 40,000,000 *yen* now appropriated for these objects, to issue the Formosan public works loan. The redemption of the loan and the payment of the interest on the loan were both to be charged to the Formosan revenue, so that the island itself would pay for all the expenses of this special scheme of undertakings.

The Diet on receiving the bill for the above programme introduced some curtailments in many of its features, e. g. it expurgated the whole item of water-supply works, reduced the estimated expenditures on buildings for offices and official residences, amended the estimates on railway construction expenses, so as to reduce the sum of 40,000,000 *yen* demanded by the Government to 35,000,000 *yen*. Yet this reduction did not much affect the estimate on railway construction and did not affect at all the estimates on harbour construction and on the surveying and examination of lands. For this reason, the curtailments introduced by the Diet did not really affect the prosecution of the special undertakings scheme, and there is no doubt that the carrying out of this scheme will

contribute much toward the successful completion of the entire Formosan undertakings programme. The various items of expenditure in connection with the special undertakings scheme now adopted are as follows:—

Construction and improvement of Formosan railways . . .	28,800,000. ^{yen} 000
Harbour works at Keelung . .	2,000,000.000
Surveying and examination of lands in Formosa	3,000,000.000
Building of offices and official residences	1,200,000.000
Total	35,000,000.000

Of the above gross estimates, the amounts needed for 1899–1900 were as follows:—

Construction and improvement of Formosan railways	2,000,000. ^{yen} 000
Harbour works at Keelung . . .	350,000.000
Surveying and examination of lands in Formosa	500,000.000
Building of offices and official re- sidences	350,000.000
Total	3,200,000.000

VIII. Expansion of the educational work.

Among the measures adopted this year for the expansion of the educational work of the country, there may be mentioned the increase in the number of students sent abroad for study and the extension in the system of prefectural school inspection, but the most important among such measures was the founding of the Sixth Higher School.

It is a marked phenomenon of recent years that there has taken place a great increase in the number of middle school graduates and in the number of them who apply for admission into the higher schools. It was very plain now that with the present number of the higher schools, it would be impossible to accommodate all the applicants for admission. Such a regrettable state of affairs urgently needed to be remedied and the establishment of the Sixth Higher School was now decided upon. The expenditure voted for the undertaking was *yen* 209,028.750, which was to cover two years, beginning with 1899–1900,—the amount needed for the first year being 20,000 *yen*.

IX. The extension of the custom-house in Yokohama.

The foreign trade of Yokohama has shown in recent years an increasing tendency toward rapid growth and, in view of that prospect of growing trade, the present premises of the custom-house have come to be altogether too limited. It was very clear that, if nothing was done to extend the premises, the goods would at times be overcrowded and the customs business itself would be much retarded. For this reason the Government now decided to fill up the fore-shore, directly in front of the custom-house, in order to build thereon sheds, ware-houses and landing-places for goods, &c. The Government planned in other ways to introduce reforms, as for instance certain necessary arrangements for facilitating the transportation of goods, &c. The filling up of the fore-shore would cost the sum of *yen* 2,345,590.383 and the work was to be begun in 1899–1900 and finished in 1903–04. The cost of the undertaking in the first year would be 180,000 *yen*.

Among other measures of importance, besides the above, there may be mentioned the increased establishment of district law courts and their branches, the establishment of the training school for policemen and prison-keepers, and also of the silk-worm-culture training institute in Kioto.

CHAPTER V. THE BUDGET ESTIMATE FOR 1900-01.

SECTION I.

The receipts and expenditures.

The budget estimate for 1900-01 consisted of the gross receipts of *yen* 254,549,818.000, of which *yen* 193,730,180.000 belonged to the ordinary revenues and *yen* 60,819,638.000 to the extraordinary revenues; and of the gross expenditure of *yen* 254,549,817.762, of which *yen* 152,408,534.647 belonged to the ordinary expenditures and *yen* 102,141,283.115 to the extraordinary expenditures.

The main items in the receipts of 1900-01 consisted of the income from the customary revenues, the proceeds from public loans and of the fund transferred from the Indemnity money. The particular items are as follows:—

Items in the receipts for 1900-01.

Receipts from customary revenues	<i>yen</i> 198,613,429.000
Proceeds from public loans	32,183,650.000
Fund transferred from the Indemnity money	<u>23,752,739.000</u>
Total	254,549,818.000

Note:—the public loans consisted of the following kinds:—

Railway loan	<i>yen</i> 12,853,000.000
Public works loan	11,930,650.000
Hokkaido railway loan	1,000,000.000
Formosan public works loan	<u>6,400,650.000</u>
Total	32,183,650.000

The expenditures for 1900-01 consisted of the items paid from the customary revenues, and from the proceeds of public loans as well as from the Indemnity money. The particulars are as follows:—

Items in the expenditures for 1900-01.

Paid from the customary revenues	198,613,462. ^{yen} 687
Paid from the proceeds from public loans	32,183,616.968
Paid from the Indemnity money	<u>23,752,738.107</u>
Total	254,549,817.762

Now that the second scheme of increased taxation was adopted in the 13th session of the Diet, and that the work of *post-bellum* financial adjustment had completed its first important stage, it was plain that the right policy to pursue on the part of the Government was to see that the *post-bellum* programme already adopted should be carried out, side by side with the development of the resources of the country, and in the mean time to lay no new burdens on the tax-paying capacities of the people and, moreover, to establish firmly the basis of the national finances. In drawing up the budget estimate for 1900-01, therefore, the Government endeavoured to keep the expenditures strictly within the receipts for the year, and to see that new enterprises undertaken were kept within the limits allowed by the receipts. For this reason, no resort was made in the budget for 1900-01 to the makeshift policy so often employed in recent years of utilizing the Indemnity money or of making temporary loans; and the parity between the receipts and expenditures was now at last restored.

While thus the Government kept strictly within the limit of the receipts in making the estimates for the expenditures of 1900-01, it is needless to say that within the limit allowed by the receipts a scheme of new enterprises was planned with the object of encouraging industry and, in general, of increasing the national prosperity. Thus

not a few important enterprises connected with transportation, communication, education, river-engineering works, &c., were taken up in the budget estimate for 1900-01.

Concerning the ways of spending the Indemnity money, the budget for 1900-01 followed strictly the lines laid down by the previous budgets, making no change whatever on the pre-determined programme. Again, in regard to the expenditures paid from the proceeds of public loans, no change was made on the pre-determined scheme, except a slight increase in the expenditures connected with the construction of the first period portion of the railway construction programme. Concerning the fund obtained from public loans, it ought to be stated that it was decided to make up the deficiency of almost *yen* 13,600,000.000 caused by the falling short of the real proceeds from the foreign loan issued in June, 1899, in London, as compared with the face value of the bonds, by employing annually a part of the customary revenues of the Government up to the amount of 1,000,000 *yen*, so that the amount of the public loan fund employed in 1900-01 was to be less by 1,000,000, *yen* than the amount set down in the pre-determined programme. It should be remembered on the other hand, that though but the sum of £ 8,600,000 was obtained for the foreign loan whose face value was £ 10,000,000,—producing a deficiency of £ 1,400,000 or about 13,600,000 *yen*—the Government would really gain in the form of interest on the loan by about 1,000,000 *yen* a year; for the rate of interest on this foreign loan was 4 per cent. per annum while that on the home loan was 5 per cent. per annum. In a little more than ten years, the deficiency would be covered by the gain on account of interest, and it was thought proper to employ the customary

revenues in the way mentioned above for making up the deficiency. It was unnecessary, therefore, to resort to a further public loan to make up the deficiency in connection with the foreign loan of 1899.

Concerning the increase mentioned above in the cost of railway construction on the first period portion of the railway programme, the amounts of increase were as follows: *yen* 19,529,886.000 in connection with Fukushima-Aomori line and *yen* 2,156,248.000 for constructing railway between Kaidaichi and Kure, which, together added to the already determined amount of expenditure for the first period portion of the railway programme, would raise the entire expenditure to *yen* 94,844,459.000.

SECTION II.

The important items.

The following are the important items in the budget estimate for 1900-01.

I. Establishment of a foreign legation.

The Government of Spain has had its minister stationed in Tokio ever since the first years of *Meiji*, but our Government being occupied with the establishment of legations in a great many countries in a short space of time, had been yet unable to reciprocate the courtesy of the Spanish Government. It was now decided, therefore, to establish the legation in Spain in October, 1900; the expenditures connected with it being estimated at 59,760 *yen*.

*II. Undertakings connected with special Japanese
"concessions" abroad.*

There are seven places in China where special "concessions" for the settlement of Japanese subjects have been obtained and one other place, respecting which the Government has already opened negotiation for a similar concession. But as yet scarcely any thing has been done in these places to fit them for the settlement of Japanese and it was high time that something was to be done in order to maintain the prestige of the Empire abroad and protect our commercial interests. For this reason several undertakings were planned in the budget of 1900-01; the main policy in connection with these undertakings being to establish a special *comptabilité* with reference to these undertakings, to create a fund by borrowing from the State Treasury, and, when the undertakings are completed, to pay back the money thus borrowed with the money obtained from the sale of lots. It was intended that in this way a good foundation would be laid for the future financial self-government of these settlements. The bill embodying these measures was presented to the 14th session of the Diet and adopted.

III. State-maintenance of the prisons of the country.

While it has been felt for a number of years that it would be necessary to transfer the maintenance of the country's prisons from prefectural treasuries to the State Treasury, that plan could not be carried out till 1900-01, owing to financial difficulties; now with the passage of the increased taxation bill in the 13th session of the Diet, the Government was enabled at last to carry out the plan in October, 1900. The expenditure needed for the latter half of 1900-01 was estimated at *yen* 2,214,294.000.

IV. River-engineering works.

Immense losses are yearly sustained by the country from floods. The money spent by the prefectural and State authorities for a number of years past for repairing the engineering works on rivers amounted at least to 10,000,000 *yen* and sometimes to more than 20,000,000 *yen* annually. To this item of expenditure there should be added the loss suffered by the Government from the reduced collection of land tax on account of damages from floods, and the expenditures for the relief of the sufferers from such damages. The entire loss would amount to an enormous sum indeed, when to all this is added the losses sustained by individuals from those damages. For these reasons, the Government felt obliged to undertake some large schemes of engineering works in connection with some of the important rivers of the country, i. e. with the Toné, the Shō and the Kuzuriu rivers, beginning with 1900-01. In the case of the Toné river, the scheme was to cover the years between 1900-01 and 1905-06 inclusive and cost the gross sum of *yen* 3,968,478.428; in the case of the Shō river, to cover the same period as the above and cost *yen* 2,922,432.000; while in the case of Kuzuriu river the scheme was to cover the years between 1900-01 and 1909-10 inclusive and cost *yen* 3,811,210.000. The total expenditure for the three rivers would bring up the amount to the large sum of *yen* 10,702,120.428. But since the sum of *yen* 3,702,733.210 would be contributed from the treasuries of the prefectures chiefly concerned, the share of the State Treasury would amount to *yen* 6,999,387.218. For 1900-01, the expenditures needed would be *yen* 302,354.497 in the case of the Toné, *yen* 142,000.000 in the case of the

Shō and *yen* 125,000.000 in the case of the Kuzuriu,—all to be contributed from prefectural treasuries.

V. State-aid toward the construction of city water-works.

The prevalence of epidemic diseases in recent years has added much to the expenditures from the State Treasury as well as from prefectural treasuries, aside from the expenses incurred by individuals on account of these diseases. It was, therefore, considered to be eminently proper for the State to take steps toward introducing better hygienic conditions, by first of all improving the quality of the drinking water in many of the large cities of the Empire. The scheme was now adopted of aiding certain cities with funds from the State Treasury toward constructing water-supply systems in those cities. The arrangement was as follows: to Nagasaki, *yen* 427,000.000, being about $\frac{1}{3}$ of its entire expenditure; to Akamagaseki (Bakan), *yen* 250,000.000, being about $\frac{1}{3}$ of its entire expenditure; and to Okayama, *yen* 207,000.000, being about $\frac{1}{4}$ of its entire expenditure,—all these extending over a number of years, beginning with the year 1900–01. The amount to be contributed in the first year was 10,000 *yen* in each case.

VI. Expansion of the customs service.

The foreign trade of Kōbe has made rapid strides in recent years,—the imports and exports in 1899 amounting to 195,000,000 *yen*, being nearly the double of what they had been five years ago. In view of this great expansion of trade, the custom-house premises have come to be too limited in extent, greatly interfering with the despatch of business connected with imported goods, &c. It was feared that these insufficient arrangements would interfere,

in no small degree, with the growth of trade itself. For this reason the expansion in various departments of business connected with the custom-house was imperatively needed. But a through-going expansion was beyond the financial capacity of the county, and it was decided to expend in 1900-01, *yen* 133,952.000 for buying up the neighbouring lots owned by private persons and for the construction of sheds and ware-houses, &c. ; and for building floating wharfs to expend *yen* 150,000.000 in two years beginning with the year 1900-01, of which the amount required in the first year was to be *yen* 86,500.000.

VII. Expansion of the educational work.

In 1900-01, a number of new undertakings were commenced for expanding the educational organizations of the country. The most important of these undertakings were the founding of the second higher normal school, the second higher commercial school, the higher technical institute and the higher agricultural and forestry school. Besides these new undertakings, a scheme of State subsidy in aid of the common school education was adopted.

One great obstacle to the expansion of the educational organizations of the country lies in the lack of teachers for common and middle schools as well as for normal schools ; and one of the most pressing needs of the time is to provide a means of supplying competent teachers for these schools. For this reason, one higher normal school being hardly sufficient to supply all the teachers needed in the normal and middle schools, it was now decided to found a second higher normal school, at the expenditure of 326,910 *yen* to be disbursed in seven years between 1900-01 and 1906-07 inclusive. Of the above sum, 150,000 *yen* being

the contribution from the prefecture where the school was to be established, the sum of only 176,910 *yen* was to be spent by the State. The amount needed in 1900-01 was to be 10,000 *yen*, all to be supplied by local contributions.

With the growth of home and foreign trade of the country, there arose a great need for providing a better commercial education. The higher commercial school in Tokio alone being hardly sufficient to meet this growing need, a plan was now adopted of establishing the second higher commercial school. The total expenditure for establishing the school was fixed at 197,402 *yen* to be covered by the years 1900-01—1904-05 inclusive. Since, however, 50,000 *yen* were to be contributed by the prefecture in which the school was to be established the expenditure from the State Treasury would amount to 147,402 *yen*. The amount needed for 1900-01 was 25,000 *yen*, to be all supplied by local contributions.

It is one of the standing grievances of the present time that, though the fine-art manufactures constitute our most famous exports to foreign countries, there are yet very few men engaged in the manufacture of these articles who have received a technical education of any sort. It is to be feared that our fine-art-manufactures exported abroad, being defective in point of designs, &c., are not appreciated as highly as they would otherwise be. It was, therefore, decided to establish a higher technical institute at an expenditure of 276,000 *yen*, to be covered by 1900-01—1904-05 inclusive. Of the above amount, the sum of 50,000 *yen* was to be contributed by the prefecture where the institute was to be founded, so that the expenditure from the State Treasury would amount to 226,000 *yen*. The 50,000 *yen* needed in the first year

were to be all supplied by local contributions.

With the recent growth of agricultural and cattle-raising industries, the demand for scientific knowledge on those subjects has also increased and the agricultural schools in existence have come to be quite insufficient to meet all the growing demands of the country. The Government decided, therefore, to establish a higher agricultural and forestry school at the expenditure of 167,000 *yen*, to be covered in 1900-01—1902-03 inclusive. Of the above amount, 100,000 *yen* were to be contributed by the prefecture where the school was to be founded, so that the disbursement of the State treasury would amount to 67,000 *yen*. The 50,000 *yen* needed in the first year were to be all supplied by local contributions.

In the budget estimate for 1900-01, there was inserted a scheme for the aiding of the ordinary common schools maintained by cities towns or villages, by contributing toward the expenses for equipments and toward the increased pay for the encouragement of teachers, from the interest of the education fund to the amount of 500,000 *yen* according to the special *comptabilité* law for the education fund, passed in the 13th session of the Diet. Besides, the Government succeeded in obtaining the vote of the Diet at its 14th session, for the law concerning the State aid toward the expenditures of common school education provided by cities towns or villages, in order to substitute this new law for the two old laws concerning similar matters, i. e. the law concerning the good-service rewards of the common school teachers and the law concerning the state aid toward the common school education expenses. Toward thus aiding in supporting the common school education of the country the Government appropriated 1,000,000 *yen* for 1900-01. Thus was realized the

plan of making State-aid to the common school education, a problem which had engaged the attention of the authorities for so many years.

Besides the above mentioned measures, the Government undertook as part of this year's programme to expand the scope of several government schools and also to increase the number of students to be sent abroad, &c., &c.

VIII. Schemes for improving the breed of bulls, for making investigations concerning phosphoric mines and for establishing the technical experiment institute.

Various measures were adopted in 1900-01 by the Government for improving the breed of bulls, for making investigations concerning phosphoric mines and for establishing the technical experiment institute, etc., with the object of aiding in the development of the agriculture and manufactures of the country. The chief items among these measures were the following:—

(1) It is needless to say that bull breeding is an indispensable factor in the country's industrial development and that the quality of the cattle as well as the quantity raised will exercise a far-reaching influence on the economic condition of the country. As things are now, not only is the quantity of cattle raised much less than that consumed, but the breed and pedigree are very poor. The Government, therefore, now decided to adopt measures for the improvement of the breed of bulls. The plan was to establish a bull pasture, at the expenditure of *yen* 78,765.150, to be all disbursed in 1900-01.

(2) The demand for manures has increased in recent years, along with the growth of agricultural industry, and the Government adopted a plan of making investigations

concerning phosphoric mines, that substance being an important raw-material for the manufacture of manures. The expenditure voted was *yen* 16,483.100, all to be disbursed in 1900-01.

(3) As a result of the recent great development in the manufacturing industry of the country, there has come to be a great demand for the chemical analysis of the articles of foreign trade, since as a result of such analysis only could the much-needed reforms and improvements be introduced. For this reason a plan of opening a technical experiment institute was now adopted, where all kinds of analysis and testing would be conducted at the request of the Government as well as of private individuals. It was intended at the same time to have the results of such experiments published with the object of contributing to the stock of technical knowledge of the community at large. The expenditure needed for this undertaking was *yen* 55,521.550, to be all disbursed in 1900-01.

Besides the measures mentioned above, other measures were adopted in 1900-01, e. g. the establishment of a practical fishery institute, the increased establishment of stallion-pastures, the opening of an exhibition hall for articles of trade, the granting of Government aid to fishery associations, &c.

IX. Increased expenditure for railway construction.

The construction of a railway line between Fukushima and Aomori belonging to the first period portion of the Government railway was commenced in 1893-94, at the total estimated expenditure of *yen* 15,857,658.000. But owing to the rise of prices since that time as well as to certain changes in the plan of the railway construction,

it became apparent that the whole line could not be completed at the originally estimated expenditure. A supplementary expenditure estimate of *yen* 19,529,886.000 was, therefore, voted in 1900-01: the revised amount needed for the above year being *yen* 3,500,000.000.

In the line between Hachiōji and Nagoya, the estimated appropriation for 1904-05, i. e. the sum of *yen* 1,720,771.000, was cut off and divided among the years between 1900-01 and 1903-04 inclusive, thus increasing the annual estimates for those years. The revised amount for 1900-01 was *yen* 4,300,000.000.

The right of constructing the line between Kaidaichi and Kuré had been transferred to a private company, but there was now little prospect of the line being completed under the management of that company. For this reason the work was again taken up by the Government, the entire estimated expenditure being *yen* 2,156,248.000, to be covered in 1900-01—1902-03 inclusive. The part needed in 1900-01 was 350,000 *yen*.

X. Subsidy on the stated navigation lines.

In September of 1885 the Government promised to the Japan Mail Steamship Company to grant the annual subsidy of 880,000 *yen* for a number of years on condition of the company's running the regular lines of steamers between Yokohama and Shanghai, between Kobe and Tientsin, between Kobe and New-chwang, between Kobe and Vladivostock, between Kobe and Otaru, between Yokohama and Yokkaichi, between Aomori and Muroran and other lines along the coast of Hokkaido. Since, however, the period fixed by the original contracts would expire in September 1900, it was considered necessary on

the part of the Government to consider anew, in view of the changed condition of affairs, the kind of policy to pursue in future in regard to navigation subsidy. After mature consideration, the Government decided to subsidize the following lines of stated steamship service:—namely, the lines between Yokohama and Shanghai, between Kobe and the Korean ports, between Kobe and the North China ports, between Kobe and the ports of Korea and North China, and between Kobe and Vladivostock, (on account of these lines constituting the important means of communication between Japan on the one hand, and Russia, China and Korea on the other); the lines between Kobe and Otaru and between Aomori and Muroran (on account of their being the important means of communication within the Empire, bearing a very close relation to the economic development of Hokkaido as well as of the Main Island). The annual gross amount of subsidy to be granted on all these lines was fixed at the maximum limit of 580,000 *yen*, which was to be continued for five years, from October, 1900, to September, 1905. The bill authorizing the Government to make contracts according to these terms on the liability of the State Treasury outside of the year's budget was presented to the Diet and adopted.

The Government also decided to subsidize the lines between Hakodate and Nemuro, between Otaru and Wakkanai, between Nemuro and Abashiri, and between Nemuro and Yutorof, on account of those lines forming an important factor in the colonization of Hokkaido. For this reason the Government decided to subsidize for five years, from October, 1900, to September, 1905, as follows; subsidies not to exceed 44,340 *yen* on the Hakodate and Nemuro line, 43,472 *yen* on the Otaru and Wakkanai

line, 17,112 *yen* on the Nemuro and Abashiri line, and 22,407 *yen* on the Nemuro and Yedorof line. The bill authorizing the Government to make contract according to these terms on the liability of the State Treasury outside of the year's budget was presented to the 14th session of the Diet and adopted.

Besides the above lines, the steamship service on the Yang-tse-kiang came now to need an increase of steamers and a larger subsidy than hitherto. The Government therefore decided to subsidize within the maximum limit of *yen* 291,848.062* in 1901-02, within the limit of *yen* 354,942.524 annually for five years from 1902-03 to 1906-10, and in the year 1910-11, within the limit of *yen* 266,206.893. Although the steamship service on the lines between Shanghai and Su-chau and between Shanghai and Han-chau was commenced in 1898-99 with a subsidy from the Government, the result was not quite satisfactory on account of the lack of connection between Su-chau and Han-chau. For this reason, the Government now decided to have the service opened between Su-chau and Han-chau, and then on the entire line, Shanghai—Su-chau—Han-chau, to grant the annual subsidy within the maximum limit of *yen* 57,873.000 for 1901-02 and 1902-03, and of *yen* 14,468.250 in 1903-04. The bill authorizing the Government to make contract according to these terms on the liability of the State Treasury outside of the year's budget was presented to the 14th session of the Diet and adopted.

*This sum is different from one originally presented by the Government, owing to curtailment by the Diet.

*XI. Changes in the annual estimates of expenditure for
the construction and improvement of the
Formosan railway.*

The estimated expenditure for the construction and improvement of the Formosan railway was fixed in the previous year to cover the years between 1899-1900 and 1908-09 inclusive. It was afterward ascertained that the estimate for 1900-01 would not be sufficient to cover the actual expenditures needed for that year. It was decided, therefore, to appropriate 2,000,000 *yen* out of the estimate for 1908-09 for use in 1900-01. The estimated expenditure for 1900-01 was thus revised to read 4,500,000 *yen*, instead of 2,500,000 *yen*.

CHAPTER VI.

THE VARIOUS SPECIAL COMPTABILITÉ.

According to the government factory regulation of 1890, (in which were contained the rules for the setting up of special *comptabilité*, separate from and independent of the general account of the Government, for keeping account of the receipts and disbursements distinct from the general receipts and expenditures of the Government) there were to be set up nine special *comptabilité* for Government factories, seventeen for the government schools and libraries, and six for special funds,—thirty two special *comptabilité* in all,—which are as follows:—

Special comptabilité for factories.

1. The mint bureau.
2. The printing bureau.
3. The silk-filature factory at Tomioka.
4. The factory for the manufacture of articles needed for telegraph and lighthouse services.
5. The mining works at Hiroshima.
6. The Tokio fire-arms factory.
7. The Osaka fire-arms factory.
8. The woolen-cloth manufactory at Senju.
9. The government railways.

Special comptabilité for the government schools and libraries.

1. The Imperial University.
2. The Higher Normal School.
3. The Female Higher Normal School.
4. The First Higher Middle School.

5. The Second Higher Middle School.
6. The Third Higher Middle School.
7. The Fourth Higher Middle School.
8. The Fifth Higher Middle School.
9. The Yamaguchi Higher Middle School.
10. The Zoshikwan Higher Middle School at Kago-shima.
11. The Higher Commercial School.
12. The Tokio Technical School.
13. The Tokio Fine-art School.
14. The Tokio School of Music.
15. The Tokio Blind and Dumb Asylum.
16. The Tokio Library.
17. The Tokio Agricultural and Forestry School.

Special comptabilité for the government funds.

1. The fund for procuring materials for ship-building at the naval stations i. e. at Yokosuka and Kuré.
2. The consolidated public loan fund.
3. The fund for the redemption of paper money.
4. The fund for the redemption of paper money issued by national banks which have closed up business.
5. The central provident fund against calamities.
6. The interest on deposited moneys.

The following are some of the changes in the special *comptabilité* since 1890:—

In 1890–91, the Tokio Agricultural and Forestry School which had been under the control of the Agriculture and Commerce Department, was incorporated with the Imperial University.

In 1893-94, a special *comptabilité* was set up for the railway loan fund, according to the railway construction law; the silk-filature factory at Tomioka was sold to a private company, so that the special *comptabilité* for that factory was at the same time closed; a part of the fund for the purchase of materials for ship-building was employed for opening ship-building establishment at Saseho naval station; and lastly, the name "higher middle school" was changed to the higher school, by dropping the term middle.

In 1894-95, there were established new *comptabilité* for the government railway-materials fund, by transferring the floating capital from the government railway fund, and for the extraordinary war fund. The latter *comptabilité* was closed on March 31, 1896. In 1894-95, the Tokio School of Music was placed under the control of the Higher Normal School, so that at the same time the special *comptabilité* for the former school was united with that for the latter school.

In 1895-96, special *comptabilité* were set up for the Chinese indemnity fund and for the Sapporo Agricultural School, the latter being now transferred to the control of the Education Department, from the control of the Agriculture and Commerce Department, under the general account of that department.

In 1896-97, a special *comptabilité* was established for the redemption of bank notes issued by national banks to be closed in 1896-97 on account of the expiration of the term of business; a special *comptabilité* was also established for the Osaka Technical School, which was opened anew; the special *comptabilité* for the Zoshikwan Higher Middle School at Kagoshima was closed with this fiscal year.

In 1897-98, special *comptabilité* were set up for the Kioto Imperial University as that university was to be now opened, for the fund set apart for the leaf-tobacco monopoly, and for the Formosan administration on account of the separation of the Formosan budget from the general budget of the Government. The imperial university in Tokio was henceforth called the Tokio Imperial University and the Tokio Library, the Imperial Library.

In 1898-99, the special *comptabilité* for the Consolidated Loan Fund was closed.

In 1899-900, special *comptabilité* were set up for the iron-foundry manufacture fund, for the forestry fund, for the fund for replenishing war-vessels and torpedo boats, for the provident fund against calamities, and for the education fund. In the same year, the public works loan fund was added to the railway loan fund, and the united fund to be called the public works and railway loan fund; the special *comptabilité* for the central reserve fund against the scarcity year and for the redemption of bank notes issued by national banks which have closed up business were both closed with this year.

In 1900-01, special *comptabilité* were set up for undertakings in connection with the special Japanese settlement concessions abroad, for the fund for materials for the manufacture of naval fire-arms and for the Sixth Higher School, as that school was to be opened this year; with this year, the leaf-tobacco monopoly fund was turned into a factory account, and the Tokio School of Music separated from the control of the Higher Normal School and the Tokio Foreign Language School from the control of the Higher Commercial School, establishing special *comptabilité* respectively.

The various special *comptabilité* for 1900-01—forty eight in all—are as follows:—

Special comptabilité for factories.

1. The mint bureau.
2. The printing bureau.
3. The monopoly bureau.
4. The Tokio fire-arms factory.
5. The Osaka fire-arms factory.
6. The woolen-cloth manufactory at Senju.
7. The mining works at Hiroshima.
8. The iron-foundry.
9. The government railways.
10. The factory for the manufacture of articles needed for telegraph and lighthouse services.

Special comptabilité for the government schools and the libraries.

1. The Tokio Imperial University.
2. The Kyoto Imperial University.
3. The Higher Normal School.
4. The Female Higher Normal School.
5. The Sapporo Agricultural School.
6. The Higher Commercial School.
7. The First Higher School.
8. The Second Higher School.
9. The Third Higher School.
10. The Fourth Higher School.
11. The Fifth Higher School.
12. The Sixth Higher School.
13. The Yamaguchi Higher School.
14. The Tokio Technical School.
15. The Tokio Foreign Language School.
16. The Tokio Fine-Art School.

17. The Tokio School of Music.
18. The Osaka Technical School.
19. The Tokio Blind and Dumb Asylum.
20. The Imperial Library.

Special comptabilité for the government funds, &c.

1. The fund for articles needed in the Hokkaido government railways.
2. The special fund.
3. The coinage adjustment fund.
4. The fund for war-vessels and torpedo boats.
5. The provident fund against calamities.
6. The education fund.
7. The fund for ship-building materials in connection with Yokosuka naval station.
8. The fund for ship-building materials in connection with Kuré naval station.
9. The fund for ship-building materials in connection with Saseho naval station.
10. The fund for materials for the manufacture of naval fire-arms.
11. The forestry fund.
12. The fund for articles needed for the government railways.
13. The fund for the undertakings in connection with special Japanese settlement concessions abroad.
14. The Formosan administration.
15. The interest on deposited moneys.
16. The public works and the railway loan fund.
17. The paper money redemption fund.
18. The fund for redemption of notes issued by national banks whose term of business had expired.

The following tables are adjoined herewith for showing the funds and capitals under the various *comptabilité* as well as the estimates for each *comptabilité* for 1900-01 :—

TABLE SHOWING THE FUNDS AND CAPITALS UNDER
THE VARIOUS *COMPTABILITÉ*.

Items.	Amount of Money.	
<i>Comptabilité for factories.</i>		
	<i>yen</i>	
The mint bureau	1,568,299	606
Floating capital	998,212	719
Fixed capital	570,086	887
The printing bureau	1,265,744	248
Floating capital	370,000	000
Fixed capital	895,744	248
The monopoly bureau	5,000,000	000
Floating capital	5,000,000	000
The Tokio fire-arms factory	4,803,723	317
Floating capital	2,000,000	000
Fixed capital	2,803,723	317
The Osaka fire-arms factory	3,602,691	410
Floating capital	1,500,000	000
Fixed capital	2,102,691	410
The woolen-cloth manufactory at Senju	1,313,658	934
Floating capital	600,000	000
Fixed capital	713,658	934
The mining works at Hiroshima	182,558	530
Floating capital	170,960	969
Fixed capital	11,597	561
The iron-foundry	2,000,000	000
Floating capital	2,000,000	000
The government railways	98,485,892	575
Floating capital	200,000	000
Fixed capital	98,285,892	575
The factory for the manufacture of articles needed for telegraph and lighthouse services	164,357	940
Floating capital	113,457	809
Fixed capital	50,900	131
Total for factory <i>comptabilité</i>	118,386,926	560
Items under the above :—		
Floating capital	12,952,631	497
Fixed capital	105,434,295	063

Items.	Amount of Money.	
<i>Comptabilité for the government schools and libraries.</i>		
	yen	
Funds for the government schools and libraries	3,608,047	122
Public loan bonds and securities	536,955	799
Cash	35,924	342
Lands and buildings	3,035,166	981
<i>Comptabilité for funds, &c.</i>		
Fund for articles needed in Hokkaido government rail-ways	100,000	000
Fund for war-vessels and torpedo boats	30,000,000	000
Provident fund against calamities	10,000,000	000
The education fund	10,000,000	000
Fund for ship-building materials at the naval stations ..	2,650,000	000
Fund for materials for the manufacture of naval fire-arms	900,000	000
Fund for articles needed for the government railways ..	2,050,000	000
Capital in reserve for paying interest on the deposited moneys	3,325,304	003
Total for <i>comptabilité</i> for Funds &c.	59,025,304	003
Grand total	181,020,277	685
Items under the above:—		
<i>Comptabilité</i> for factories	118,386,926	560
Sub-items under the above:—		
Floating capital	12,952,631	497
Fixed capital	105,434,295	063
<i>Comptabilité</i> for the government schools and libraries	3,608,047	122
<i>Comptabilité</i> for funds, &c.	59,025,304	003

Note:— (1) The figures for the floating capital under the *comptabilité* for factories give the amount already determined, while the figures for the fixed capital give its actual amount on the last day of March, 1899. The figures for the fixed capitals under the *comptabilité* for the Monopoly Bureau and for the iron foundry are not given as the amounts have not yet been fixed.

(2) The figures for the Government schools and libraries give the actual amounts of those funds on the last day of March, 1899.

(3) The figures for the funds under the *comptabilité* for funds give the amounts already determined; the figures for the capital in reserve for paying interest on the deposited moneys give its actual amount on 3rd, March, 1899.

(4) Besides the funds mentioned in the foregoing table are other funds which are intended to be gradually expended according to the pre-determined programmes. These funds, according to the latest returns, are as follows:—The Chinese indemnity (special funds) yen 86,234,645.769, the coinage adjustment fund yen 997,875.951, the forestry funds yen 302,437.903, the public works and railway loan fund yen 6,618,431.563, the paper money redemption fund yen 3,181,980.200, the fund for the redemption of bank notes issued by national banks whose term of business had expired yen 974,999.000, in all yen 98,310,370.386.

TABLE SHOWING THE GROSS ESTIMATES OF RECEIPTS
AND EXPENDITURES UNDER VARIOUS SPECIAL
COMPTABILITÉ FOR 1900-01.

Items.	Receipts.	Expenditures.
<i>Under control of the Foreign Department.</i>		
Special Japanese settlement-concessions in } foreign countries	<i>yen</i> 1,013,307 000	<i>yen</i> 1,013,307 000
<i>Under control of the Home Department.</i>		
Formosan Administration	22,126,483 045	22,126,483 045
Fund for articles needed for Hokkaido gov- } ernment railways	300,000 000	300,000 000
Total for <i>comptabilité</i> under con- } trol of the Home Department ..	22,426,483 045	22,426,483 045
<i>Under control of the Finance Department.</i>		
The mint bureau	1,442,148 000	1,208,265 000
The printing bureau	1,556,559 000	1,404,539 000
The monopoly bureau	20,229,450 000	11,303,141 000
Interest on deposited moneys at the Finance } Department	2,692,896 000	2,478,370 000
The special funds	0	23,752,739 000
The coinage adjustment fund	2,760 000	3,000 000
The public works and railway loan fund	32,683,650 000	32,683,650 000
Fund for war-vessels and torpedo boats ..	453,038 000	0
Provident fund against calamities	465,188 000	0
The education fund	518,750 000	700,000 000
Total of funds under control of the } Finance Department	60,044,439 000	73,533,704 000
<i>Under control of the Military Department.</i>		
The Tokio fire-arms factory	6,095,513 915	6,003,991 412
The Osaka fire-arms factory	5,930,379 048	5,918,379 048
The woolen-cloth manufactory at Senju ..	2,431,598 018	2,429,102 925
Total of funds under control of the } Military Department	14,457,490 981	14,351,473 385
<i>Under control of the Navy Department.</i>		
Fund for ship-building materials at Yoko- } suka naval station	765,135 000	850,000 000
Fund for ship-building materials at Kure } naval station	793,429 900	1,000,000 000
Fund for ship-building materials at Saseho } naval station	447,825 000	519,676 000
Fund for materials for the manufacture of } the naval fire-arms	2,047,500 000	1,950,000 000
Total of funds under control of the } Navy Department	4,053,889 900	4,319,676 000

Items.	Receipts.	Expenditures.
<i>Under control of the Education Department</i>		
	<i>yen</i>	<i>yen</i>
The Tokio Imperial University	956,585 061	956,585 061
The Kyoto Imperial University	448,087 137	448,087 137
The Higher Normal School	163,467 776	163,467 776
The Female Higher Normal School	89,284 179	89,284 179
The Sapporo Agricultural School	62,163 049	62,163 049
The Higher Commercial School	57,226 250	57,226 250
The First Higher School	129,562 952	129,562 952
The Second Higher School	89,065 265	89,065 265
The Third Higher School	108,190 347	108,190 347
The Fourth Higher School	80,552 785	80,552 785
The Fifth Higher School	129,167 452	129,167 452
The Sixth Higher School	33,138 200	33,138 200
The Yamaguchi Higher School	45,429 000	45,429 000
The Tokio Technical School	126,496 537	126,496 537
The Tokio Foreign Language School	63,010 808	63,010 808
The Tokio Fine-Art School	76,112 629	76,112 629
The Tokio School of Music	29,155 856	29,155 856
The Osaka Technical School	64,249 278	64,249 278
The Tokio Blind and Dumb Asylum	13,962 980	13,962 980
The Imperial Library	24,191 175	24,191 175
<i>The Permanent Funds.</i>		
The Tokio Imperial University	162 901	10,650 000
The Kyoto Imperial University	0	14,339 217
The Higher Normal School	0	654 673
The Female Higher Normal School ..	0	1,992 270
The Sapporo Agricultural School	2,484 000	3,805 589
The Higher Commercial School	1,551 554	4,000 000
The First Higher School	290 932	5,618 821
The Second Higher School	1,017 004	2,450 860
The Third Higher School	1,167 184	5,450 600
The Fourth Higher School	0 390	1,126 091
The Fifth Higher School	14 100	405 605
The Tokio Technical School	719 361	6,240 000
The Tokio Fine-Art School	550 000	578 055
The Osaka Technical School	0	2,367 898
The Tokio Blind and Dumb Asylum ..	5,800 000	5,650 000
The Imperial Library	150 000	605 136
Total of funds under control of the Education Department	2,803,006 142	2,855,033 531

Items.	Receipts.	Expenditures.
<i>Under control of the Agriculture and Commerce Department.</i>		
The mining works at Hiroshima	92,677 000	92,495 000
The iron-foundry	600,000 000	2,400,000 000
The forestry fund	2,302,205 000	1,778,777 235
Total of funds under control of the Agriculture and Commerce De- partment	2,994,882 000	4,271,272 235
<i>Under control of the Communication Department.</i>		
The government railways	18,234,008 302	11,472,038 099
Fund for articles needed for the government railways	8,737,322 621	8,737,322 621
Fund for the factory for manufacture of articles needed for telegraph and light- house services.....	241,079 711	240,129 711
Total of funds under control of the Communication Department ..	27,212,410 634	20,449,490 431
Grand Total	135,005,908 702	143,220,439 627

PART II. TAXATION AND THE LEAF-TOBACCO MONOPOLY.

CHAPTER I. GENERAL STATEMENT.

Although fuller expositions concerning the new schemes of taxation will be given under separate headings in the chapters which follow, yet, by way of introduction to the whole subject, the main points in the work of unifying the taxation and adjusting the tax administration will be given in the present chapter.

Up till the adoption of the programme of the *post-bellum* national undertakings, the taxes belonging to the category of direct taxation had been only two in number,—the land and the income taxes,—together amounting to about 40,189,900 *yen*, according to the final account for 1895–96; the taxes belonging to the class of indirect taxation were the taxes on saké and soy, the stamp duties on patent medicines and legal documents, the mining dues and the bourse tax, the tax on the excess-issues of the convertible bank-notes, the license tax on game shooting, the export duties on liquors in Okinawa prefecture, the fishery duties in Hokkaido, the license taxes on the manufacture of alcohol and of koji (rice malt), the tobacco tax, the confectionary tax, the tax on national banks, the boat tax, the cart tax, the live-stock (horses, bulls and cows) trade license duties, and the customs duties, amounting altogether to about 34,507,600 *yen*.

Now these various taxes arose as a result of the distinction which was drawn between the land tax and the so-called miscellaneous taxes, on the adoption of the land

tax revision scheme. The term "miscellaneous taxes" originated in the time of feudalism, and was a legacy of petty despotisms, being indeed a most miscellaneous kind of taxes without any sort of system whatever. In 1875, by Imperial Ordinance No. XXIII, this class of taxes as part of the national taxation was abolished and turned over to the prefectural governments to be levied at discretion. The boat tax, the cart tax, the license duties on the trade in live-stock (horses, bulls and cows), the license duties on the manufacture of saké and koji and on the tobacco trade, &c., may be considered as remnants of the old "miscellaneous taxes," still forming part of national taxation.

The land tax revision was, along with the abolition of feudalism, one of the great measures adopted by the Restoration Government. That the land tax constituted the chief source of the national revenue may be seen by noting the fact that, although the income tax was introduced after the adoption of the land tax revision scheme, the payers of income tax have not amounted to more than some 100,000 persons. At the same time with such an unequal distribution of taxes, the political rights and privileges were also unequally distributed.

Now it is clear that the burdens of national taxation should be fairly distributed among all classes, while at the same time the political rights and privileges should also be similarly distributed.

The newly introduced tax on business, which formed part of the increased taxation scheme accompanying the first period national undertakings programme adopted in 1896, brought about results which may be briefly stated as follows:—

1. The business tax and the miscellaneous taxes in the prefectural taxation, which had been levied at unequal

rates in different prefectures, were to be hereafter levied as the additional tax (rates) and in equal rate throughout the Empire.

2. Those items of taxation, which required large collection expenses as national taxes but which as local taxes would not need so much expense in collection, were now transferred to the prefectural taxation,—thus bringing about a general adjustment of taxation.

3. Business and industrial classes enjoyed hitherto but little political rights, while bearing so large a share of national burdens. For this reason the national taxes paid by these classes, i. e. other than land taxes, were now recognized, by Imperial Ordinance No. CCLXIII of 1896, as conferring political rights in connection with the election of the members of the House of Representatives and of one class of members of the House of Peers; so that the provisions of this ordinance are now in operation.

At the same time the Government decided to abolish as national taxes the license duty on tobacco trade, the tax on confectionery, the boat and the cart taxes, the license duties on the live-stock (horses, bulls and cows) trade and the koji trade, which gave over about 1,420,000 *yen* of revenue to the prefectures.

In 1899, the Government abolished the boat tax and the system of buying up sugar in the Okinawa prefecture. At the same time the law relating to the adjustment of land affairs in the same prefecture was promulgated. These measures have resulted in laying a uniform basis of taxation for both Okinawa prefecture and the home islands and in determining definitely the ownership of lands by individuals as well as in guaranteeing the public rights and privileges to the people of that prefecture.

After the introduction of the tax on business, a revision of the income tax law was made in connection with the adoption of the second period national undertakings programme. Through this revision the total number of payers of the income tax was increased to 341,579, and as in the case of the payers of the business tax, these all received the same political rights and privileges as the payers of the land tax.

The revision of the saké tax law, and the enactment of the leaf-tobacco monopoly law by abolishing at the same time the stamp duties on tobacco,—both made in connection with the first period national undertakings programme,—were now supplemented by the promulgation of the laws relating to the revision of part of the import duties table belonging to the tariff regulations, by Law No. XVIII of 1899, and the revision of the monopoly law, by Law No. XXVIII of the same year.

Now it is clear that, since the internal indirect taxes and the customs duties are the same in their general nature, if the tax on saké were raised without raising at the same time the duty on imported liquors, the import of foreign liquors would inevitably increase. It was doubtless owing to this fact that the license duties on the trade in alcohol, first levied in 1893, brought in so little revenue. The Government, however, refrained from making an ill-advised attempt at making changes in the rate of tariff duties on alcohol, for fear that such a course might injure the larger interests of the Empire in relation to foreign countries. When the whole tariff system was at last re-arranged on a sound basis, the Government was able to raise the rate on alcohol to 250 per cent. *ad valorem*, and other liquors containing a large quantity of alcohol to 100 per cent. *ad valorem*, and thus to make import duties

on alcohol keep up a balance with the internal indirect tax on the same.

The Government also fixed the import duties on manufactured tobacco at 100 per cent. *ad valorem*, and set a-foot the monopoly of the importation of leaf-tobacco.

Thus was at last restored a much needed unity between the internal indirect taxes and the customs duties ; and the results of these changes have been remarkably satisfactory. The good effect of the laws has been particularly noticed in the reduction of imported alcohol, so that it may be safely predicted that the present internal tax on alcohol will prove in coming years to be not too high as compared with the import tax on the same.

Now the fact that the much needed balance between the internal indirect taxes and the customs duties has been restored was due, as was observed above, to the enactment of the Tariff Regulations. While the recovery of autonomy in regard to the tariff matters has been one of the great objects aimed at by the Government ever since the time of the Restoration (1868), the object was only attained in 1894 and 1895,—the consent of the foreign nations being obtained as to the list of tariff items fixed by convention. Among 497 kinds of tariff items, 125 were fixed by convention and, roughly estimating, the amount of duties paid on account of these items would be about 63.5 per cent. of the amount of duties paid on account of the other class of tariff items which were fixed without convention. It is gratifying that the import duties as thus revised are evenly balanced with the rates of internal taxation.

Next to this, the promulgation of the bonded warehouse law has greatly benefited the foreign trade of the country, while the promulgation of the customs duties

regulations as part of the second period national undertakings programme has laid a secure basis for the future development of the customs system. These regulations also have made it clear that such of the tariff items as were fixed by convention had been so fixed by convention with foreign nations.

Again, the registration tax which was introduced before the going into operation of the Civil Code and the Commercial Code, as part of the first period national undertakings programme, was made more effective through the increase in the rates of that tax, in connection with the second period national undertakings programme. In order to bring about unity in the stamp duty system as well as in order to increase its convenience, the Government now decided by Imperial Ordinance No. CXL of 1898 to use but one kind of stamps, besides postage stamps. In consequence of this, patent medicine stamps, legal document stamps, tobacco stamps, law-suit stamps and registration stamps were now all abolished.

With the reforms in the taxation system, the Government was enabled to introduce improvements also in the tax administration; thus, by Imperial Ordinance No. CLXI of 1899, a change was made in the custom-house system, by which the protection of coasts against smuggling was made more effective by establishing special customs-guard stations or by entrusting the guard work to the tax administration stations and by providing to invite also the aid of the navy, whenever it should be deemed necessary on account of the gravity of the situation.

Further, concerning the tax-collection system of the interior, an improvement was now introduced by transferring the tax-collection stations from the control of the

chief collectors of taxes and of the Governors of the prefectures to the control of the tax-administration stations, which were placed under the control of the tax administration-inspecting bureaus,—the latter being subject in turn to the direct control of the Minister of Finance. By this change various evils resulting from the difference in the method of collecting taxes, owing to the tax-collection stations being subject to the Governors of the prefectures instead of being subject to one central authority, were now removed and the much-needed unity restored to the system of tax-administration.

As thus explained, a reasonable system of tax-administration was now established and a firm foundation laid for the future development of the system. This system now established for the first time in this country, with unified basis for both the customs duties and the internal taxation, was modeled closely after the systems in vogue in foreign countries.

The increased revenue from the increased taxation, which was effected under the two schemes adopted in connection with the *post-bellum* national undertaking programmes, was altogether about 70,000,000 *yen*, as may be seen from the subjoined table. At the same time with this increased taxation, the abolished taxes,—such as the saké license tax, the tax on saké manufactured for household consumption, the alcohol license tax, the koji license tax, the tobacco tax, the soy license tax, the confectionery tax, the boat and cart taxes, the live-stock (horses, bulls and cows) trade license tax, the boat tax in Okinawa prefecture, the export tax, &c.,—in all amounted to about 8,000,000 *yen*.

TABLE SHOWING THE INCREASED REVENUES FROM THE
FIRST PERIOD (ADOPTED IN 1896-97) AND SECOND
PERIOD (ADOPTED IN 1899-1900) INCREASED
TAXATION MEASURES.

Items.	Increased taxation for the first period.	Increased taxation for the second period.	Total.
	<i>yen</i>	<i>yen</i>	<i>yen</i>
The land tax	0	8,475,958	8,475,958
The income tax	0	1,494,516	1,494,516
The business tax	7,551,377	0	7,551,377
The saké tax	9,284,544	22,556,409	31,840,953
The registration tax	6,423,993	1,846,759	8,270,752
The soy tax	0	1,598,387	1,598,387
The tax on the convertible bank notes.....	0	1,159,560	1,159,560
The tonnage dues	0	237,986	237,986
The receipts from the leaf-tobacco monopoly	10,316,379	2,145,550	12,461,929
License duties on the trade in tobacco	0	831,750	831,750
Total.....	33,576,293	40,346,875	73,923,168

Note:— (1) The increased amounts of revenue according to the increased taxation schemes for the first and second periods, when compared with the entire receipt of the Government for 1900-01 from taxes, stamp duties and the leaf-tobacco monopoly, i. e. *yen* 156,552,359.000, forms about 50 per cent. of the latter.

(2) Aside from the items which are mentioned on the Table, the receipts from the post and telegraph services were increased, in connection with the second period increased taxation scheme, by the sum of *yen* 1,673,344.000, which being added to the increased revenue from the second period increased taxation brings up the entire increased receipts to the sum of *yen* 42,020,219.000.

(3) The Table is based on the budget estimates made in connection with the first adoption of the schemes, so that there will necessarily occur discrepancies when compared with the actual results of carrying out those schemes.

CHAPTER II. INTERNAL TAXATION.

SECTION I.

The land tax.

I. Revision of the legal valuation of lands.

The most important item in the taxation of Japan is the land tax. And since, according to the present system of taxation, the land tax is levied on the basis of the legal values of lands, the revision of the legal valuation of lands is naturally regarded as one of the great national questions and it is unavoidable, perhaps, that there should be so much difference of opinion on the subject. Here, before we enter upon the subject of the revision of land-valuation, it will be in order to give a brief history of the land tax revision. Since times immemorial the burden of taxation was borne chiefly by farmers and the rates varied with times and localities, there being no fixed standard and no system. The nominal standard rate went by the phrase "four parts public and six parts private" or "five parts public and five parts private," but in actual practice the farmers probably paid three or four tenths of the produce of the soil as regular taxes, besides bearing no small burdens in other ways such as *curvee* and money requisitions. The taxation of the country fell into the most disordered condition in the period preceding the Restoration, and when the Imperial Government began to levy taxes according to the various systems in use in different clan jurisdictions, it was at once seen that there was a great inequality in rates imposed on the people. For this reason, soon after the abolition of feudalism, i. e. in 1871,

the Government took steps to reform the system of land taxation; and where the burdens were heaviest the Government changed the method of taxing by fixed rates to that of taxing by annual estimates of the produce of the soil. But this reform could not be introduced in places where the measurement of lands into *tan* was not well ascertained or where the rates were not estimated by *tan*. The Finance Department, therefore, drew up a scheme of levying land tax on the value of land, and the land-tax-revision regulations were issued by Imperial Rescript in July, 1873. The new system of land taxation was actually carried out throughout the Empire in 1881.

In March, 1884, the land-tax regulations were issued, according to which the chapters VI and VIII of the land-tax-revision regulations were repealed. Now it was stated in the sixth chapter that the Government intended to tax in future the products of the soil and that, when the revenue from this source reached the sum of 2,000,000 *yen* or more, the Government would take steps to reduce the land tax in proportion as the amount of revenue from the products of lands increased, and that the Government hoped that in the end the land tax might be brought down to 1 per cent. of the values of the lands. Yet it was not possible to increase suddenly the amount of produce and, besides, the latter was subject to constant changes according to the yearly harvests. For this reason the Government found it impossible to reduce the rate of land tax, which was unchanging and reliable, by increasing the revenues from another unreliable source. Thus, this provision in the sixth chapter not only could not very well be carried out, but its terms were indefinite and vague; so that the sixth chapter could be regarded as no more than the mere expression of

an aim in administration. There were indeed some men who noticed at the very start that the sixth chapter would prove to be in future a cause of much contention and that it would be well to revise it at an early opportunity.

Again, in the above-mentioned eighth chapter it was provided that the values of lands should be revised every five years. But this provision was inserted on account of the fact that the Government ordered through the additional Ordinance No. LIII of 1874 that the values of lands fixed by the Government should also be the prices at which they were actually bought or sold. It was plain that this kind of provision was highly damaging to the safety of private properties as well as to laying a secure basis for national wealth. Besides, it was not in the interest of the State to undertake the revision of the valuation of lands at periodical intervals and without reference to times and conditions. It was for these reasons, that the Government was led to repeal these two chapters in the land-tax revision regulations.

The reform of the land taxation undertaken in 1873 was indeed a work of an exceeding magnitude. Not only was there no reliable returns as to the measurement of lands, according to which the revenues might be estimated; but the time being so soon after the Restoration, the attitude of the people toward the new Imperial Administration was somewhat tentative, while their minds were yet deeply steeped in ignorance and prejudice. The result was that the researches and investigations of various kinds now undertaken lacked unity, and the values of lands in different parts of the Empire were not fixed according to a uniform standard. For this reason, already in 1880 the Government promised by Imperial Ordinance No. XXV of that year that steps would be taken to reduce the values of lands where they were unfairly high.

Yet many causes of complaint still remained and, in 1889, the Government promulgated by Law No. XXII of that year the regulations concerning the special revision of the valuation of lands, in order that the existing inequality in the burden of taxation might be removed. The reduction of revenue from the land tax on account of these various revisions have altogether amounted to about 3,664,500 *yen*. Yet it must be remembered that these reductions were made only within the limit allowed by the existing financial conditions, so that the causes of complaint were not yet after all entirely removed.

With the first opening of the Imperial Diet, therefore, the question of the land-valuation revision assumed great importance; sometimes the problem of the revision even led to important political issues, remaining yet to this day an unsolved problem.

Now it was clear as the result of careful observation that, though considerable adjustment had been effected with regard to the unfair legal valuation of lands by virtue of Law No. XXII of 1889, yet in certain districts the valuation was still placed too low, no revision having been attempted in those parts. These favoured regions were now bearing much lighter burdens of taxation than most other districts. Theoretically speaking, therefore, the method of revision should aim at raising the values where they were too low and at reducing them where they were too high, so that perfectly fair and just results might be obtained. But such a through-going revision, however perfect in principle, did not suit our present purpose since it would take too much time to carry it through. A simpler method which should aim at the general leveling up of the values of lands rather than entering too deeply into questions of minute details would suit us better, since such a method would be more practicable and cause no great uneasiness in the minds of the people. The latter then

was the method now adopted by the Government.

The chief points in the method of revision now adopted and carried out were as follows:—

1. To ascertain the average harvest returns of each district, following the old divisions at the time of the introduction of the revised land tax system, by making careful inquiries of the returns of past years since the new system had been introduced, in order to make out the necessary rate of reduction of the present assessed amount of returns from each county and city.

2. To fix upon the price of rice for each district by finding the average price for each district, following the old divisions at the time of the introduction of the revised land-tax system, for the past ten years, i. e. between 1888 and 1897 inclusive; which was found to be 7 *yen* 40 *sen* and 9 *rin* for one *koku* of rice for the entire country; but since the price of rice was constantly changing so that it would be unfair to fix upon this average for the past ten years as the average for the coming years, it was decided to make a general reduction of 46.5 per cent. in the price for each district and give out the remainder as the legal price for that district.

3. To fix upon the rate of interest, which is the third factor in the determination of the values of lands. It was ascertained that, at the time when the revised land tax was first introduced, the general average rate of interest followed was 6 per cent., while according to localities a rate either higher or lower than this average was adopted; it was now thought that with the immense progress of the country in the means of communication since those days, there would be no need of adopting different rates of interest for different districts, and that it would be fair, leaving untouched the rates above 6 per cent., to raise all rates below 6 per cent. uniformly up to that rate.

Now having decided on the course to be pursued con-

cerning these three points which constituted the three chief factors in the determination of the values of lands, in other respects the same method of calculation was adopted as at the time of the revision of the land tax and on the basis of *tan* distinctions on July 1st, 1898; the revised values of lands for each county or city in each prefecture were estimated and the bill embodying the results of such determinations was presented to the 13th session of the Diet. Only on one point, namely, with respect to the legally fixed harvest returns in the two counties of Kamiagata and Shimoagata in Tsushima Is. in Nagasaki prefecture, did the House of Representatives amend the Government bill, the House regarding the Government estimates of those harvest returns as too high and proposing reductions,—which as a matter of course reduced also the legal values of those lands. The House of Peers concurring in these amendments, the bill as thus amended was passed in the both Houses and was promulgated as Law No. XXXI of 1898. Now the revised values of lands amounted altogether to about 930,868,300 *yen*, of which rice fields constituted about 747,378,900 *yen* and farms about 183,489,300 *yen*; which, compared with the legal values of those lands on July 1st, 1898, showed a gross reduction of about 149,299,500 *yen*, of which the share of rice fields was about 114,160,700 *yen* and that of farms about 35,138,700 *yen*. Such then were the reductions in the legal values of lands according to the original estimates.

The practical carrying out of the land-values revision scheme now adopted was commenced in the early part of February, 1899, and completed in August of the same year;—the method followed in the carrying out of the scheme being to make out the revised valuation of each piece of land in each county, city, town or village according to the rates of reduction fixed for each locality, taking

the legal values on February 1st, 1899, as the standard. Now from the results, we see that there were certain districts where the legal values of lands were to be revised according to the land-values revision law, but where, on account of changes in the status of those lands, those values had already by February 1st, 1899, got reduced to below the revised values of those lands as given in the law (i. e. land values-revision law); these were now put aside as not needing revision, according to the provision of article II of the land-values revision law. The lands actually revised now stood in value as follows; namely, rice fields about 747,350,900 *yen* and farms about 182,768,800 *yen*, total about 930,119,800 *yen*. These figures when compared with the values of lands as estimated in the law, show the reduction of about 23,400 *yen* in the case of rice-fields and the increase of about 200 *yen* in the case of farms, the balance between these two figures showing the reduction of about 23,100 *yen* on the legal estimates—a discrepancy which was reasonable enough under the circumstances of the case.

Now, when these revised values are compared with the values of lands as they stood on February 1st, 1899, the amounts reduced on account of the revision were, for rice-fields about 114,894,000 *yen* and for farms about 33,704,300 *yen*, total about 148,598,400 *yen*. The rate of reduction was 13.3 per cent. in the case of rice-fields and 15.6 per cent. in the case of farms, on an average 13.8 per cent. These actually reduced amounts, when compared with the amounts of reduction through revision as estimated in the law, show the increase over the latter in a case of rice-fields of about 733,200 *yen* and the decrease in the case of farms of about 1,434,300 *yen*; namely a decrease on the whole of about 701,100 *yen*. The reason for this discrepancy between the actual revised values and the estimated revised values

was in the fact that changes took place in the legal values of certain lands as they stood just before the revision, through changes in their status. The revised valuation of lands, &c., according to each prefecture will be afterward given in different tables.

The total value of rice fields and farms at the time of the first land tax revision, stood at about 1,503,919,600 *yen* and the revenue from these lands at about 45,117,500 *yen*. But since, in 1877, the rate of land tax was reduced from 3 per cent. to 2.5 per cent., thus greatly lightening the burden of land owners; and since other attempts were afterward made to remedy the inequality of taxation by revising and reducing the values of lands, the total value of lands at the time of the present land-values revision had become less than the previously mentioned total by about 294,747,800 *yen*; while the revenue from the land tax had become reduced correspondingly, by about 15,573,000 *yen*. As to the average value of lands before and after the land-values revision of 1899, according to the actual condition prevailing on February 1st, 1899, we see that while the average value of one *tan* of rice-fields was 40 *yen* and 9 *rin*, and of farms 11 *yen* 9 *sen* and 6 *rin* before the revision, the respective figures after the revision stood at 35 *yen* 91 *sen* and 9 *rin*, and 9 *yen* 62 *sen* and 4 *rin*.

Now since the Government gave, in drawing up the scheme of land-values revision, ample consideration to all sorts of present facts and past records, as affected by the results of the revision, as well as to the general aim of restoring equilibrium in the land taxation, it will not be overstating the case to say that the result of the present scheme will prove satisfactory in equalizing the burdens of land owners and in establishing an equitable system of land taxation.

TABLE I.
SHOWING THE ACTUAL REVISED LAND-VALUES AND THE ESTIMATED REVISED LAND-VALUES
AS GIVEN IN THE LAW AND AS COMPARED WITH EACH OTHER.

THIS TABLE REFERS TO RICE-FIELDS ALONE.

Prefectures.	Land-values as they stood on Feb. 1st, 1899.	Actual amounts of revised value.	Balance, showing the reduction.	The rate of reduction.	Estimated amounts of revised values as given in the Law.	Estimated revised amounts and actual revised amounts, compared.
Tokio	9,384,296 793	7,552,845 610	1,831,451 183	19.5 per cent.	7,554,019 418	† 1,173,808
Kioto	20,324,579 167	18,430,624 500	1,893,954 667	9.3 "	18,431,212 224	† 587 724
Osaka	34,923,615 885	28,056,924 738	6,866,691 147	19.7 "	28,055,038 610	1,886 128
Kanagawa	12,738,457 919	10,426,443 460	2,312,014 459	18.1 "	10,427,320 664	† 877 204
Hioo	56,616,221 891	47,351,986 866	9,264,235 025	16.4 "	47,353,591 337	† 1,604 471
Nagasaki	11,743,682 000	10,673,944 960	1,069,737 040	9.1 "	10,674,628 750	† 683 790
Niigata	0	0	0	0	0	0
Saitama	35,268,582 707	29,223,890 880	6,044,691 827	17.1 "	29,222,308 727	1,582 153
Gumma	15,681,078 114	12,868,373 750	2,812,704 364	17.9 "	12,868,639 047	† 265 297
Chiba	38,074,597 674	33,118,730 565	4,955,867 109	13.0 "	33,121,996 125	† 3,265 560
Ibaraki	27,266,418 380	24,607,631 739	2,658,786 641	9.7 "	24,609,806 550	† 2,174 811
Tochigi	16,783,997 366	14,272,637 671	2,511,359 695	15.0 "	14,267,305 230	5,332 441
Nara	17,630,947 520	16,105,674 680	1,525,272 840	8.6 "	16,107,231 190	† 1,556 510
Miye	39,356,727 750	32,152,694 330	7,204,033 420	18.3 "	32,161,323 667	† 8,629 337
Aichi	46,279,468 470	38,920,256 590	7,377,211 880	15.9 "	38,915,893 042	4,363 548
Shidzuoka	31,767,800 194	26,237,182 919	5,530,617 275	17.4 "	26,230,544 640	6,638 279
Yamanashi	9,994,936 840	8,934,647 550	1,060,289 290	10.6 "	8,936,183 580	† 1,536 030
Shiga	34,860,674 670	30,146,920 110	4,713,754 560	13.5 "	30,150,804 961	† 3,884 851
Gifu	24,965,130 022	21,232,404 460	3,732,725 562	15.0 "	21,232,701 941	† 297 481

Nagano	11,641,508.437	10,987,299.990	654,208.447	5.6	"	"	10,987,436.239	†	136.249
Miyagi	0	0	0	0	"	"	0	†	0
Fukushima	10,837,628.760	10,311,632.059	525,996.701	4.8	"	"	10,314,546.156	†	2,914.091
Iwate	0	0	0	0	"	"	0		0
Aomori	0	0	0	0	"	"	0		0
Yamagata	0	0	0	0	"	"	0		0
Akita	0	0	0	0	"	"	0		0
Fukui	20,182,612.023	18,056,975.373	2,125,636.650	10.5	"	"	18,059,551.320	†	2,575.947
Ishikawa	22,609,916.100	20,342,052.150	2,267,863.950	10.0	"	"	20,339,186.080		2,866.070
Toyama	13,343,304.898	13,036,135.262	307,169.636	2.3	"	"	13,041,273.300	†	5,138.038
Tottori	13,607,594.199	12,165,700.770	1,441,893.429	10.6	"	"	12,167,143.042	†	1,442.272
Shimane	19,743,722.793	18,102,288.110	1,641,434.683	8.3	"	"	18,105,151.453	†	2,863.343
Okayama	31,468,955.324	26,044,892.250	5,424,063.074	17.2	"	"	26,044,677.340		214.910
Hiroshima	29,982,871.820	24,822,009.160	5,160,862.660	17.2	"	"	24,824,712.329	†	2,703.169
Yamaguchi	0	0	0	0	"	"	0		0
Wakayama	17,936,454.950	14,748,616.150	3,187,838.800	17.8	"	"	14,747,546.666		1,069.484
Tokushima	12,057,933.120	10,515,954.070	1,541,979.050	12.8	"	"	10,517,208.610	†	1,254.540
Kagawa	20,459,921.116	18,023,950.020	2,435,971.096	11.9	"	"	18,021,355.380		2,594.640
Yehime	20,508,892.317	17,832,535.280	2,676,357.037	13.0	"	"	17,832,900.550	†	365.270
Kochi	16,606,501.810	13,900,634.190	2,705,867.620	16.3	"	"	13,903,193.170	†	2,558.980
Fukuoka	37,436,416.401	35,118,232.110	2,318,184.291	6.2	"	"	35,115,775.270		2,456.840
Oita	9,339,129.106	8,147,533.810	1,191,595.296	12.8	"	"	8,147,708.319	†	174.509
Saga	23,149,890.387	22,138,553.477	1,011,336.910	4.3	"	"	22,143,252.990	†	4,699.513
Kumamoto	23,978,333.062	21,589,767.540	2,388,565.522	10.0	"	"	21,589,051.959	†	709.581
Miyazaki	8,692,048.256	8,106,949.170	582,099.086	6.7	"	"	8,106,431.304		517.866
Kagoshima	14,982,144.807	13,045,437.440	1,936,707.367	12.9	"	"	13,045,730.950	†	293.510
Total	862,244,993.048	747,350,963.759	114,894,029.289	13.3	"	"	747,374,388.124	†	23,424.365

† Show the reduction in actual revised amounts.

TABLE II.
SHOWING THE ACTUAL REVISED LAND-VALUES, AND THE ESTIMATED REVISED LAND-VALUES
AS GIVEN IN THE LAW AND AS COMPARED WITH EACH OTHER.

THIS TABLE REFERS TO FARMS.

Prefectures.	Land-values as they stood on Feb. 1st, 1899.	Actual amount of revised values.	Balance showing the reduction.	The rate of reduction.	Estimated amounts of revised values as given in the Law.	Estimated revised amounts and actual revised amounts, compared.
	yen	yen	yen		yen	yen
Tokio.....	5,770,737 479	4,970,029 980	800,707 499	13.9 per cent.	4,968,928 858	1,101 122
Kioto.....	3,189,693 513	2,795,933 240	393,760 273	12.3 "	2,796,056 545	123 305
Osaka.....	5,949,691 992	4,391,932 735	1,557,759 257	26.2 "	4,392,580 670	647 935
Kanagawa.....	7,111,676 157	6,048,402 867	1,063,273 290	14.9 "	6,049,225 742	822 875
Hiogo.....	4,837,759 020	4,179,899 501	657,859 519	13.6 "	4,179,814 445	85 056
Nagasaki.....	4,888,767 268	4,624,342 511	264,424 757	5.4 "	4,623,652 060	690 451
Niigata.....	0	0	0	0	0	0
Saitama.....	14,639,727 227	12,303,311 348	2,276,415 879	15.5 "	12,363,602 197	290 849
Gumma.....	10,543,300 574	8,754,139 834	1,789,160 740	17.0 "	8,753,118 353	1,021 481
Chiba.....	8,029,879 805	7,043,156 827	986,722 978	12.3 "	7,044,107 500	950 673
Ibaraki.....	9,426,044 090	8,575,794 722	850,249 368	9.0 "	8,575,462 230	332 492
Tochigi.....	5,500,570 010	4,845,875 927	654,694 083	11.9 "	4,845,533 810	342 117
Nara.....	2,334,171 310	2,168,284 990	165,886 320	7.1 "	2,168,295 030	10 040
Miye.....	5,678,582 060	4,440,841 960	1,237,740 100	21.8 "	4,441,268 000	426 040
Aichi.....	12,664,116 740	10,435,470 540	2,228,646 200	17.6 "	10,435,050 293	420 247
Shizuoka.....	8,398,965 401	6,649,398 096	1,749,567 305	20.8 "	6,649,235 970	162 126
Yamanashi.....	0	0	0	0	0	0
Shiga.....	3,358,224 830	2,607,983 100	750,241 730	22.3 "	2,608,115 189	132 089
Gifu.....	6,374,931 421	4,507,535 340	1,867,396 081	29.3 "	4,507,754 382	219 042
Nagano.....	0	0	0	0	0	0
Miyagi.....	0	0	0	0	0	0
Fukushima.....	8,916,574 720	7,682,751 400	1,233,823 320	13.8 "	7,682,193 426	557 974
Iwate.....	3,912,064 147	3,409,330 428	502,733 719	12.9 "	3,408,969 544	360 884

Aomori	2,801,919,647	2,505,088,200	296,831,447	10.6	"	2,505,296,150	†	207,950
Yamagata	5,047,393,808	4,208,884,039	838,509,769	16.6	"	4,209,209,220	†	325,181
Akita	2,224,983,959	1,873,820,186	351,163,773	15.8	"	1,874,023,608	†	203,422
Fukui	1,198,607,659	1,160,848,282	37,759,377	3.2	"	1,160,238,150		610,132
Ishikawa	2,249,679,886	2,086,635,270	163,044,616	7.3	"	2,086,315,343		319,927
Toyama	0	0	0	0	"	0		0
Tottori	1,835,774,934	1,601,707,140	234,067,794	12.8	"	1,601,248,420		458,720
Shimane	3,702,661,548	3,179,977,330	522,684,218	14.1	"	3,179,776,066		201,264
Okayama	7,553,360,542	6,446,970,630	1,106,389,912	14.6	"	6,447,257,620	†	286,990
Hiroshima	7,673,796,117	5,995,060,030	1,677,736,087	21.9	"	5,995,535,770		524,260
Yamaguchi	0	0	0	0	"	0		0
Wakayama	2,908,760,094	2,367,227,360	541,532,734	18.6	"	2,367,333,242	†	105,882
Tokushima	7,584,236,030	6,375,465,470	1,208,770,560	15.9	"	6,375,158,120		307,350
Kagawa	1,462,052,087	1,404,677,630	57,374,457	3.9	"	1,404,624,650		52,980
Yehime	5,515,640,273	5,342,506,060	173,134,213	3.1	"	5,342,566,650	†	60,590
Kochi	2,659,671,710	2,213,531,580	446,140,130	16.8	"	2,213,687,690	†	156,110
Fukuoka	4,006,920,779	3,913,049,050	93,871,729	2.3	"	3,913,211,400	†	162,350
Oita	5,457,487,592	3,768,218,670	1,689,268,922	30.9	"	3,768,427,003	†	208,333
Saga	0	0	0	0	"	0		0
Kumamoto	8,627,781,670	7,758,746,710	869,034,960	10.1	"	7,759,944,666	†	1,197,956
Miyazaki	3,562,596,405	3,095,026,831	467,569,574	13.1	"	3,095,074,020	†	47,189
Kagoshima	8,874,463,262	6,976,019,690	1,898,443,572	21.4	"	6,976,749,330	†	729,640
Total	216,473,265,766	182,768,875,504	33,704,390,262	15.6	"	182,768,641,362		234,142
Grand total, for rice- fields and farms.	1,078,718,258,814	930,119,839,263	148,598,419,551	13.8	"	930,143,029,486	†	23,190,223

† Show the reduction in actual revised amounts.

Note :— (1) The figures in the Tables (I and II) refer to the gross amounts of estimated and actual revised land values for each prefecture where the revision was made. The figures for each county or town would present different results as to the balance between the actual and the estimated revised values, the rate of reduction, &c.

(2) No figures are given for prefectures in which no revision took place on account of the provisions of Art. II of the Land-Values Revision Law.

Shidzuoka	62,409	6	9	04.80	31,767,800	194	50,902	26,237,182	919	42,040	Entirely revised.
Yamanashi	20,363	7	5	27.00	9,994,936	840	49,082	8,934,647	550	43,875	Entirely revised.
Shiga.....	64,392	1	9	08.20	34,860,674	670	54,138	30,146,920	110	46,818	Entirely revised.
Gifu	63,520	5	7	03.72	26,836,863	151	42,249	23,104,137	589	36,373	
Items under the { above	57,028	3	6	07.23	24,965,130	022	43,777	21,232,404	460	37,231	Revised parts.
Nagano.....	6,492	2	0	26.49	1,871,733	129	28,830	1,871,733	129	28,830	Unrevised parts.
	72,472	5	4	00.48	26,368,962	641	36,385	25,714,754	194	35,482	
Items under the { above	28,877	4	7	13.40	11,641,508	437	40,313	10,987,299	990	38,048	Revised parts.
Miyagi	43,595	0	6	17.08	14,727,454	204	33,782	14,727,454	204	33,782	Unrevised parts.
Fukushima	81,079	3	1	16.16	18,003,576	253	22,205	18,003,576	253	22,205	Wholly unrevised.
	92,936	8	7	16.92	28,345,736	380	30,491	27,819,739	679	29,925	
Items under the { above	27,833	0	6	22.54	10,837,628	760	38,938	10,311,632	059	37,048	Revised parts.
Iwate.....	65,130	8	0	24.38	17,508,107	620	26,881	17,508,107	620	26,881	Unrevised parts.
Aomori.....	51,072	7	1	27.22	12,309,807	053	24,103	12,309,807	053	24,103	Wholly unrevised.
Yamagata	57,930	5	9	24.12	13,765,941	364	23,763	13,765,941	364	23,763	Wholly unrevised.
Akita	84,985	2	2	27.04	25,534,454	856	30,046	25,534,454	856	30,046	Wholly unrevised.
Fukui	99,129	5	4	09.70	22,878,183	645	23,079	22,878,183	645	23,079	Wholly unrevised.
Ishikawa	48,147	6	0	24.48	20,182,612	023	41,918	18,056,975	373	37,503	Entirely revised.
Toyama	52,453	3	2	11.20	22,609,916	100	43,105	20,342,052	150	38,781	Entirely revised.
Items under the { above	78,992	5	1	25.08	29,113,684	760	36,856	28,806,515	124	36,467	Revised parts.
Tottori	31,579	1	2	13.33	13,343,304	898	42,254	13,036,135	262	41,281	Unrevised parts.
Shimane	47,413	3	9	11.75	15,770,379	862	33,261	15,770,379	862	33,261	Entirely revised.
Items under the { above	34,191	0	4	00.28	13,607,594	199	39,799	12,165,700	770	35,582	
Okayama.....	55,546	8	1	10.08	20,574,513	726	37,040	18,933,079	043	34,085	
	51,758	3	3	06.69	19,743,722	793	38,146	18,102,288	110	34,975	Revised parts.
	3,788	4	8	03.39	830,790	933	21,929	830,790	933	21,929	Unrevised parts.
	84,089	5	7	00.99	40,775,495	176	48,491	35,351,432	102	42,040	

Prefectures.	Number of <i>tan</i> .	Land-values before the Revision.		Value of 1 <i>tan</i> before the Revision.		Land-values after the Revision.		Value of 1 <i>tan</i> after the Revision.		
		<i>yen</i>	<i>bu</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	
Items under the { above}	58,451 1 5 22.60 25,638 4 1 08.39 74,778 4 5 05.84	31,468,955.324		53.838		26,044,892.250		44.558		Revised parts. Unrevised parts.
Hiroshima		9,306,539.852		36.299		9,306,539.852		36.299		
Items under the { above}	62,456 9 7 07.60 12,321 4 7 28.24	33,315,116.540		44.552		28,154,253.880		37.650		Revised parts. Unrevised parts.
Yamaguchi		29,982,871.820		48.006		24,822,009.160		39.743		
Wakayama		3,332,244.720		27.044		3,332,244.720		27.044		
Tokushima		20,450,342.058		25.797		20,450,342.058		25.797		Wholly unrevised.
Kagawa		17,936,454.950		52.381		14,748,616.150		43.071		Entirely revised.
Yehime		12,057,933.120		48.688		10,515,954.070		42.462		Entirely revised.
Kochi		20,459,921.116		51.859		18,023,950.020		45.685		Entirely revised.
Fuknoka		20,508,892.317		42.836		17,832,535.280		37.246		Entirely revised.
Items under the { above}	37,511 3 1 14.54 110,264 4 6 17.05	16,606,501.810		44.271		13,900,634.190		37.057		Entirely revised.
Oita		37,436,416.401		43.495		35,118,232.110		40.802		Revised parts. Unrevised parts.
Items under the { above}	24,194 2 8 29.86 51,175 8 4 17.80	8,388,705.297		34.672		8,388,705.297		34.672		
Saga		18,636,192.681		36.416		17,444,597.385		34.088		Revised parts. Unrevised parts.
Kumamoto		9,339,129.106		38.788		8,147,533.810		33.839		
Items under the { above}	27,098 5 8 20.80 50,536 3 3 02.57	9,297,063.575		34.308		9,297,063.575		34.308		Revised parts. Unrevised parts.
Miyazaki		23,149,890.387		45.808		22,138,553.477		43.807		Entirely revised.
Items under the { above}	65,439 2 4 20.20 51,833 9 2 24.56	27,194,696.454		41.557		24,806,130.932		37.907		Revised parts. Unrevised parts.
Miyazaki		23,978,332.062		46.260		21,589,767.540		41.652		
Items under the { above}	13,605 3 1 25.64 39,902 2 1 21.03	3,216,363.392		23.640		3,216,363.392		23.640		Revised parts. Unrevised parts.
Items under the { above}	28,785 8 2 19.03 11,116 3 9 02.00	11,386,022.103		28.535		10,800,923.017		27.068		Revised parts. Unrevised parts.
		8,692,048.256		30.196		8,106,949.170		28.163		
		2,693,973.847		24.234		2,693,973.847		24.234		

Kagoshima	55,608 6 3 28.16	15,893,752 669	28 581	13,957,045 302	25 099	
Items under the {	51,747 9 6 19.16	14,982,144 807	28 952	13,045,437 440	25 210	Revised parts.
above {	3,860 6 7 09.00	911,607 862	23 613	911,607 862	23 613	Unrevised parts.
Total	2,809,022 0 1 00.23	1,123,852,997 336	40 009	1,008,958,968 047	35 919	
Items under the {	1,877,221 7 8 28.44	862,244,993 048	45 932	747,350,963 759	39 812	Revised parts.
above {	931,800 2 2 01.79	261,608,004 288	28 076	261,608,004 288	28 076	Unrevised parts.

TABLE II.
SHOWING THE NUMBER OF TAN AND THE VALUES OF LANDS, BOTH BEFORE AND AFTER
THE LAND-VALUES REVISION, FOR EACH PREFECTURE.

THIS TABLE REFERS TO FARMS.

Prefectures.	Number of <i>tan</i> . <i>cho tan se bu</i>	Land-values before the Revision.		Land-values after the Revision.		Value of 1 <i>tan</i> before the Revision.		Value of 1 <i>tan</i> after the Revision.	
		<i>yen</i>	<i>mu</i>	<i>yen</i>	<i>mu</i>	<i>yen</i>	<i>mu</i>	<i>yen</i>	<i>mu</i>
Tokio	42,417 9 6 02.96	5,770,737 479		13 604		4,970,029 980		11 717	
Kioto	19,125 1 6 28.98	3,189,693 513		16 678		2,795,933 240		14 619	
Osaka	16,918 8 2 24.31	5,949,691 992		35 166		4,391,932 735		25 959	Entirely revised.
Kanagawa	49,990 4 7 16.71	7,111,676 157		14 226		6,048,402 867		12 099	Entirely revised.
Hiogo	34,357 0 6 25.92	5,249,797 431		15 280		4,591,937 912		13 365	
Items under the { above	32,873 9 3 16.32 1,483 1 3 09.60	4,837,759 020 412,038 411		14 716 27 782		4,179,899 501 412,038 411		12 715 27 782	Revised parts. Unrevised parts.
Nagasaki	56,302 7 4 02.21	4,890,003 467		8 685		4,625,578 710		8 216	
Items under the { above	56,297 7 6 21.21 4 9 7 11.00	4,888,767 268 1,236 199		8 684 24 855		4,624,342 511 1,236 199		8 214 24 855	Revised parts. Unrevised parts.
Niigata	80,286 6 8 04.73	6,321,826 587		7 874		6,321,826 587		7 874	Wholly unrevised.
Saitama	99,556 3 1 23.22	14,639,727 227		14 705		12,363,311 348		12 418	Entirely revised.

Prefectures.	Number of <i>tan</i> .	Land-values before the Revision.	Value of <i>1 tan</i> before the Revision.	Land-values after the Revision.	Value of <i>1 tan</i> after the Revision.	
		<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	
Gunma	72,811 0 8 19.20	10,543,300.574	14 480	8,754,139.834	12 023	Entirely revised.
Chiba	69,468 5 5 26.57	8,000,406.188	11 517	7,016,508.627	10 100	Entirely revised.
Ibaraki	101,825 4 1 27.57	10,295,651.505	10 111	9,442,576.720	9 273	
Items under the { above	91,306 0 3 29.57	9,455,517.707	10 356	8,602,442.922	9 422	Revised parts.
Toehigi	10,519 3 7 28.00	840,133.798	7 987	840,133.798	7 987	Unrevised parts.
Items under the { above	58,211 9 6 24.56	6,775,383.728	11 639	6,120,689.645	10 514	
Nara	42,971 0 9 26.56	5,500,570.010	12 801	4,845,875.927	11 277	Revised parts.
Miye	15,240 8 6 28.00	1,274,813.718	8 364	1,274,813.718	8 364	Unrevised parts.
Aiehi	10,987 3 6 23.65	2,334,171.310	21 244	2,168,284.990	19 734	Entirely revised.
Shidzuoka	24,686 9 3 26.47	5,678,582.060	23 002	4,440,841.960	17 989	Entirely revised.
Yamanashi	60,460 7 2 29.20	12,664,116.740	20 946	10,435,470.540	17 260	Entirely revised.
Shiga	64,860 1 2 09.76	8,398,965.401	12 949	6,649,398.096	10 252	Entirely revised.
Gifu	42,760 5 2 21.76	4,675,371.123	10 934	4,675,371.123	10 934	Wholly unrevised.
Items under the { above	11,468 9 4 22.06	3,358,224.830	29 281	2,607,983.100	22 740	Entirely revised.
Nagano	48,321 9 9 18.02	6,971,943.592	14 428	5,104,547.511	10 564	
Miyagi	31,003 5 8 07.57	6,374,931.421	20 562	4,507,535.340	14 539	Revised parts.
Fukushima	17,318 4 1 10.49	597,012.171	3 447	597,012.171	3 447	Unrevised parts.
Items under the { above	92,981 1 4 01.17	9,501,643.383	10 219	9,501,643.383	10 219	Wholly unrevised.
Iwate	89,370 9 1 28.00	3,477,186.961	8 832	3,477,186.961	8 832	Wholly unrevised.
Items under the { above	73,820 7 6 22.82	9,639,232.280	13 058	8,405,408.960	11 386	
Items under the { above	64,318 7 2 02.77	8,916,574.720	13 863	7,682,751.400	11 945	Revised parts.
Iwate	9,502 0 4 20.05	722,657.560	7 605	722,657.560	7 605	Unrevised parts.
Items under the { above	88,215 2 5 04.44	5,429,159.077	6 154	4,926,425.358	5 585	
Items under the { above	65,080 1 7 24.44	3,912,064.147	6 011	3,403,330.428	5 239	Revised parts.

above)	23,135	0	7	10.00	1,517,094,930	6,558	1,507,094,930	6,558	Unrevised parts.
Aomori.....)	51,964	3	1	14.14	2,801,919,647	5,392	2,505,088,200	4,821	Entirely revised.
Yamagata	42,836	8	4	19.73	5,047,393,808	11,783	4,208,884,039	9,825	Entirely revised.
Akita	35,566	1	9	06.94	2,641,567,995	7,427	2,290,404,222	6,440	
Items under the {	29,535	6	4	07.56	2,224,983,959	7,533	1,873,820,186	6,344	Revised parts.
above)	6,030	5	4	29.38	416,584,036	6,908	416,584,036	6,908	Unrevised parts.
Fukui	11,198	1	4	17.95	1,635,039,297	14,601	1,597,279,920	14,264	
Items under the {	4,854	5	4	14.45	1,198,607,659	24,690	1,160,848,282	23,913	Revised parts.
above)	6,343	6	0	03.50	436,431,638	6,880	436,431,638	6,880	Unrevised parts.
Ishikawa	31,021	8	5	17.21	2,249,679,886	7,252	2,086,635,270	6,726	Entirely revised.
Toyama	18,578	1	9	24.34	979,494,004	5,272	979,494,004	5,272	Wholly unrevised.
Tottori	13,551	0	3	12.80	1,835,774,934	13,547	1,601,707,147	11,820	Entirely revised.
Shimane	41,544	6	0	02.72	3,817,368,522	9,189	3,294,684,304	7,930	
Items under the {	34,982	2	3	19.72	3,702,661,548	10,584	3,179,977,330	9,090	Revised parts.
above)	6,562	3	6	13.00	114,706,974	1,748	114,706,974	1,748	Unrevised parts.
Okuyama	39,470	4	9	07.72	7,553,360,542	19,137	6,446,970,630	16,334	Entirely revised.
Hiroshima	37,089	7	3	11.59	7,824,901,887	21,097	6,147,165,800	16,574	
Items under the {	35,179	9	5	01.29	7,673,796,117	21,813	5,996,060,030	17,044	Revised parts.
above)	1,909	7	8	10.30	151,105,770	7,912	151,105,770	7,912	Unrevised parts.
Yamaguchi	34,677	3	0	05.61	1,238,494,690	3,571	1,238,494,690	3,571	Wholly unrevised.
Wakayama	13,197	6	3	24.60	2,908,760,094	22,040	2,367,227,360	17,937	Entirely revised.
Tokushima	41,117	6	9	04.29	7,584,236,030	18,445	6,375,465,470	15,505	Entirely revised.
Kagawa	10,253	4	7	27.86	1,538,707,285	15,007	1,481,332,828	14,447	
Items under the {	9,728	6	4	02.20	1,462,052,087	15,028	1,404,677,630	14,440	Revised parts.
above)	524	8	3	25.66	76,555,198	14,605	76,555,198	14,605	Unrevised parts.
Yehime.....)	69,904	7	0	11.56	5,515,640,273	7,890	5,342,506,060	7,643	Entirely revised.
Kochi	78,727	0	2	22.07	2,659,671,710	3,378	2,213,531,580	2,812	Entirely revised.

Prefectures.	Number of <i>tan</i> .	Land-values before the Revision.	Value of 1 <i>tan</i> before the Revision.	Land-values after the Revision.	Value of 1 <i>tan</i> after the Revision.	
	<i>cho tan se bu</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	
Fukuoka	52,299 6 8 16.41	4,753,171 121	9 088	4,659,299 392	8 909	
Items under the {	42,134 0 8 07.05	4,006,920 779	9 510	3,913,049 050	9 287	Revised parts.
above } {	10,165 6 0 09.36	746,250 342	7 341	746,250 342	7 341	Unrevised parts.
Oita	49,577 5 5 16.61	6,120,121 889	12 345	4,430,852 967	8 937	
Items under the {	43,706 8 5 27.00	5,457,487 592	12 487	3,768,218 670	8 622	Revised parts.
above } {	5,870 6 9 19.61	662,634 297	11 287	662,634 297	11 287	Unrevised parts.
Saga	20,378 2 0 09.04	2,546,392 409	12 496	2,546,392 409	12 496	Wholly unrevised.
Kumamoto	108,004 6 4 28.17	9,514,595 816	8 809	8,645,560 856	8 005	
Items under the {	79,358 1 3 22.52	8,627,781 670	10 872	7,758,746 710	9 777	Revised parts.
above } {	28,646 5 1 05.65	886,814 146	3 096	886,814 146	3 096	Unrevised parts.
Miyazaki	68,128 3 0 07.10	3,562,596 405	5 229	3,095,026 831	4 543	Entirely revised.
Kagoshima	161,352 0 2 27.38	8,874,463 262	5 500	6,976,019 690	4 323	Entirely revised.
Total	2,289,646 6 6 20.13	254,069,844 111	11 096	220,365,453 849	9 624	
Items under the {	1,817,355 8 5 21.92	216,473,265 766	11 911	182,768,875 504	10 057	Revised parts.
above } {	472,290 8 0 28.21	37,596,578 345	7 960	37,596,578 345	7 960	Unrevised parts.
Grand total, for rice- fields and farms. }	5,098,668 6 7 20.36	1,377,922,841 447	27 025	1,229,324,421 896	24 111	
Items under the {	3,694,577 6 4 20.36	1,078,718,258 814	29 197	930,119,839 263	25 175	Revised parts.
above } {	1,404,091 0 3 00.00	299,204,582 633	21 309	299,204,582 633	21 309	Unrevised parts.

Note:— (1) The figures for *tan* and land values are those on February 1st, 1899.

(2) In cases of lands temporarily made barren or those whose legal values have been temporarily reduced, their original legal values are counted in.

(3) For prefectures where changes of frontier have taken place according to Law No. IV of 1899, the figures are as they stood on February 1st, 1899, after being adjusted to those changes of frontier.

II. The increased tax on land.

The Finance Minister, count Matsukata, in drawing up the financial scheme for 1899–1900 thought it necessary, in order to increase the revenue of the Government, to look to increase in the land taxation as the most permanent and reliable source of revenue and proposed by a bill presented to the 13th session of the Diet to raise the rate of land tax from 2.5 per cent. to 4 per cent. But the House of Representatives was opposed to making a permanent revision of the rate of land tax and, instead, amended the bill so as to authorize the Government to levy for five years, beginning with 1899, the additional land tax at the rate of 2.5 per cent. on building lots in cities and of 8 per thousand on other lands. The bill with this amendment was also accepted by the House of Peers, and was promulgated as Law No. XXXII of 1898. It became now necessary to adjust the cadastre and other related records previous to the collection of the increased revenue. At the same time, therefore, with undertaking the revision of the land values, there was entered under each particular piece of land in the cadastre the increased amount of tax to be levied on that piece of land,—the undertaking being finished at the same time with the work of land-values revision. Now, according to the results of these undertakings, the revenue from lands at the rate of 2.5 per cent. tax on the legal value of each piece of lands in 1899 i. e. after the completion of the revision of the values of cultivated lands and of the change of status of certain building lots from county or village lots to city lots and viceversa, were as follows:—

Revenue from rice-fields	(about)	25,228,600. ^{yen} 000
Revenue from farms . .	(„)	5,512,100.000

Revenue from building-lots in counties and villages (about)	^{yen} 2,666,300.000
Revenue from building-lots in cities („)	866,300.000
Revenue from other lands („)	<u>726,800.000</u>
Total („)	35,000,400.000

The increased revenues, as against the foregoing figures, on the basis of the new rates now adopted for five years, i. e. 2.5 per cent. for the building-lots in cities and 8 per thousand for other lands, were as follows :—

Increased revenue from rice fields (about)	^{yen} 8,068,900.000
Increased revenue from farms („)	1,759,000.000
Increased revenue from building-lots in counties and villages („)	852,700.000
Increased revenue from building-lots in cities . („)	866,500.000
Increased revenue from other lands („)	<u>230,900.000</u>
Total („)	11,778,200.000

The gross revenues from the land tax were as follows :—

From rice-fields (about)	^{yen} 33,297,600.000
From farms („)	7,271,200.000
From building-lots in coun- ties and villages („)	3,519,100.000
From building-lots in cities („)	1,732,800.000
From other lands („)	<u>957,800.000</u>
Total („)	46,778,700.000

This was to be the total annual revenue from the land tax for five years between 1899 and 1903 inclusive; against this may be set down the first rough estimates of the increased revenue from the land tax on the basis of the amendment adopted in the House of Representatives as follows :—

From rice-fields . . . (about)	33,290,800. ^{yen} 000
From farms . . . („)	7,279,700.000
From building-lots in counties and village . . . („)	3,598,200.000
From building-lots in cities („)	1,621,400.000
From other lands . . . („)	961,800.000
Total („)	46,752,100.000

Compared with these estimated amounts, the preceding settled amounts show the balance as follows :—

Revenue from rice-fields (increase of about)	6,700. ^{yen} 000
Revenue from farms (decrease of about)	8,400.000
Revenue from building-lots in counties and villages (decrease of about)	79,100.000
Revenue from building-lots in cities (increase of about)	111,400.000
Revenue from other lands (decrease of about)	4,000.000
Total (increase of about) . .	26,500.000

That the discrepancies were greatest in cases of building-lots in counties and villages and of those in cities was due to the change of status of certain building-lots from county or village lots to city lots and vice versa. It is needless to say that this increased revenue from

the temporary increase in the land-tax rate will cease with 1903, and that after that year the revenue from the land tax will return to the first given figures.

III. The change of status of some building-lots from county or village lots to city lots and vice versa.

In the scheme of increased taxation drawn up by the Government, it was not proposed that any different rates should be imposed on account of the nature of lands, so that there was no necessity of rearranging the status of building-lots in regard to their being county or village lots or city lots. But in the amendment proposed by the House of Representatives a difference was made in the rate of taxation between the county or village building-lots and the city lots. If now the increased taxation as thus amended were to be enforced on the basis of the old arrangement of building-lots as fixed at the time of the land-tax revision, it was felt that much injustice would be done to some land-owners by producing an inequality in their burdens of taxation; for the existing distinction between the status of building lots in counties or villages from those in cities had been made at a time when the economic conditions of the country were quite different, owing to the changes taking place since in general prosperity and means of communication. For this reason it was thought necessary that, before the different rates were imposed, a rearrangement in the status of building-lots should take place in order that the burdens imposed on land-owners might be made both fair and just. The House of Peers introduced, at the same time with their adopting the amendment proposed by the House of Representatives, a bill for making changes in the status of building-lots,

which being passed by both Houses and agreed to by the Government, was promulgated as Law No. LXII of 1899. This law, however, left the method of making the said rearrangement to be further determined by Imperial Ordinance. The Government, therefore, immediately set to collecting materials for drawing up the draft of the ordinance to be issued, by making careful researches in each local community which had the features of a town, as to the number of houses and of traders, the condition of traffic, the number of principal manufactories and of banks and other commercial firms, the number of ships cleared in the harbour (if a sea-coast town), whether the place had a railway station, the number of its important public buildings, whether there was any noted shrine or temple, the prevailing rentals on lands, &c., &c.,—these inquiries being made by specially dispatching officials to each place, and by twice convening all the heads of the tax-administration inspection bureaux in the empire. An Imperial Ordinance specifying the method to be followed in making a rearrangement of the status of building-lots, drawn up with great care, was issued as Imperial Ordinance No. CCXXXIV of 1899. Now the lots transferred from the class of county or village lots to the class of city lots, or vice versa were as follows:—

The lots transferred from the class of county or village lots to that of city lots:—

Number of <i>tsubo</i>	. . . (about)	16,343,200 <i>tsubo</i> .
Land-value	. . . („)	3,877,400 <i>yen</i> .
Land-tax	. . . („)	193,900 <i>yen</i> .

Of the above item of revenue, the part received through the present increased rate of taxation amounted to about 96,900 *yen*.

The lots transferred from the class of city lots to that of county or village lots:—

Number of <i>tan</i>	(about)	2,122 <i>cho</i> .
Land-value	(„)	1,368,700 <i>yen</i> .
Land-tax	(„)	45,100 <i>yen</i> .

Of the above item of revenue, the part received through the present increased rate of taxation was about 10,900 *yen*.

As the result of this rearrangement, an increase in the city lots and a decrease in the county or village lots took place, as follows:—

Increase in the city lots.

Number of <i>tsubo</i>	(about)	9,964,400 <i>tsubo</i> .
Land-value	(„)	2,508,700 <i>yen</i> .
Land-tax	(„)	125,400 <i>yen</i> .

Of the above item of revenue, the part received through the present increased rate of taxation was about 62,900 *yen*.

Decrease in the county or village lots.

Number of <i>tan</i>	(about)	3,325 <i>cho</i> .
Land-value	(„)	2,508,700 <i>yen</i> .
Land-tax	(„)	82,800 <i>yen</i> .

Of the above item of revenue, the part received through the present increased rate of taxation was about 20,000 *yen*.

The increase of revenue on account of this rearrangement amounted to but about 42,600 *yen*. These rearranged lots were to be taxed according to the new rates of taxation from 1899.

IV. The adjustment of lands in Okinawa prefecture.

The present land tax in Okinawa prefecture (Liu-Kiu Is.) is levied on the estimates of produce made by an inspection during the Keicho era (1595–1613 A. D.) Although an attempt was made to make new estimates by inspection in the main island of the group sometime during the first half of the eighteenth century, i. e. sometime during the Kioho and Genbun eras, there is no trace on record of taxation being levied according to these new estimates; besides, there is no trace at all of any public records having been kept concerning the changes in land matters. Consequently the questions of the ownership of lands, as well as the actual measurements of lands, were in a hopeless state of confusion; and the estimates of produce were most arbitrarily fixed,—amounts being even successively increased according to the need for increased revenue. Again, while in most places the owners of lands were over-burdened with excessive taxation, in places like the two regions of Shuri and Naha no tax was levied at all,—thus producing a most unequal distribution of tax-burdens. Then, besides, a form of land-tax was in existence which was in reality not land tax at all but a poll tax.

Thus the object of taxation as well as the rate and the method of estimating the amount of taxes according to that rate were never clearly defined. Besides, some taxes were paid in money, others in kind, while among the latter class some taxes were paid in rice, some in various grains, some in sugar, some others in woven fabrics. A great confusion prevailed in the revenue administration from these various circumstances, and much severity was practiced in the treatment of the cases of arrears. That these conditions of things were left unremedied for so

many years after the transfer of the administration of Okinawa prefecture to the Imperial Government were due to a delicate situation of affairs in that prefecture. But the situation being now very much changed for the better, the Government decided that the time for introducing much needed reforms had at last arrived. The reform of taxation was accordingly undertaken as the first step in the administrative regeneration of Okinawa prefecture. Now according to the old custom in that prefecture, there were some lands which were partitioned out for a fixed number of years, some others which were attached to certain official positions, being possessed in turn by the occupants of those offices, still others there were which were leased out perpetually to tenants, while yet other lands there were which passed into ownership of the present possessors through exploitation by them of barren lands. While, thus, there was no system in the method of land ownership, it may be said in a general way that the prevailing state of things suggested the fact that every thing connected with land matters in Okinawa prefecture was in a transitional condition occupying a stage between the communal ownership and the individual ownership of land. It was clear, therefore, that if an attempt was made to change radically the system of land taxation by applying the same law as in the home islands, the system of individual ownership of land, instead of that of communal ownership, would have to be first definitely recognized by the Government. The Government, therefore, decided to pursue the policy of recognizing the present possessors of lands as their owners. With this object in view the surveys and examinations of lands were now commenced, so as to bring about an adjustment of the confused state of things, in order to establish in the sight of law the

owner of each piece of land. After this adjustment was completed, it was intended to put into force in the prefecture the Land-Tax Regulations and the Tax-Collection Law, abolishing at the same time the old methods of taxation. The bill embodying this scheme was presented to the 10th session of the Diet, was passed with but a few minor alterations and was promulgated as Law No. LIX of 1899, i. e. the Law for the Adjustment of Lands in Okinawa Prefecture.

Although the reform of land administration in Okinawa prefecture was a matter of so great importance and the time for introducing the reform seemed to have now arrived, yet it was felt that a matter of such moment, so vitally connected with the welfare of the people of that prefecture, should receive the most careful and painstaking attention of the Government. For this reason a special bureau was established, called the Temporary Bureau for the Adjustment of Lands in Okinawa Prefecture,—the Governor of Okinawa prefecture being appointed its president and the whole business of adjustment ordered to be completed in five years. The branches of the business transacted in that bureau were the adjustment of lands, the surveying of lands, the determination of land-values, while all sorts of methods were employed to enlighten the minds of the people in regard to the new scheme to be introduced. In September, 1899, the necessary consultations with reference to various changes in the allotment of lands which had been partitioned out were practically completed, and there remained only the work of carrying into effect the results of those consultations. The land measurements were to be made in three grades, viz., the primary triangular survey, the secondary triangular survey and the detail survey. The primary triangular

survey has already been completed in the case of lands in the two counties of Yayeyama and Miyaco, and the secondary triangular survey in the case of these two counties and the primary triangular survey in the case of the two other counties of Nakagami and Shimajiri have been just commenced. Concerning the determination of land-values, the work of determination was to be commenced in places where the detail survey was completed; in the mean time the work of finding out the amounts of produce, the costs of production, the prices of commodities, &c. which form important factors in the determination of land-values, is now being carried on, and the numbering of lands by minute inspection and the defining of land-classifications are now also being carried on,—all as preparatory to the work of determining the legal values of lands.

SECTION II.

The income tax.

The income tax was first introduced by Imperial Ordinance No. V of 1887. After a trial lasting over ten years numerous imperfections in the regulations came to be clearly recognized and the Government decided to bring about the revision of those regulations.

The chief points which required revision may be stated as follows:—

1. To set forth clearly the points at which the obligation to pay the income tax originates, and determine the spheres of the Japanese and the foreign payers of the tax—the need of revision on these points being especially strengthened on account of the coming into operation of the revised treaties.



2. To regulate the method of imposing the income tax on mercantile firms,—this need becoming particularly great on account of the sudden expansion of industrial enterprises.

3. To entrust to the newly established organs of the tax administration all business connected with the national taxation.

4. To make changes in the method of tax collection already fixed by law,—these changes being made necessary on account of several processes in the method of collection having become unsuitable.

Because of the foregoing reasons, as well as of the desire to increase revenue from the income tax, the Government decided to revise the Income Tax Regulations. The bill for the revision was presented to the 13th session of the Diet, was passed in the both Houses with but a few minor alterations, and was promulgated as Law No. XVII of 1899. The main points in the revision may be set down as follows:—

1. The spheres of the Japanese and the foreign payers of the tax were determined and thus the origination of the obligation clearly stated.

2. Provisions were made for taxing juridical persons.

3. A change was made in the method of collecting taxes in the case of public loan bonds and debentures of companies, so that henceforth the taxes were collected at the time of paying the interest on those bonds and debentures.

4. The rate was raised in the case of individual incomes.

5. The collection of the income tax was entrusted to the newly established organs of the tax administration.

The general estimates of the yield from the income tax, according to the above-mentioned revised law, for 1899–1900, were as follows:—

The first class of income	
taxes	(about) 1,250,600. ^{yen} 000
The second class of income	
taxes	(„) 329,000.000
The third class of income	
taxes	(„) <u>2,256,000.000</u>
Total	(„) 3,835,700.000

The above estimated total, when compared with the original estimates given in the budget for 1899–1900, i.e. about 2,341,200 *yen*, promised an excess of some 1,494,500 *yen*. According to the later estimates on the basis of actual yields since the revised law went into operation, the receipts from the income tax for 1899–1900 would be probably as follows:—

The first class of income	
taxes	(about) 1,337,800. ^{yen} 000
The second class of income	
taxes	(„) 234,100.000
The third class of income	
taxes	(„) <u>3,036,500.000</u>
Total	(„) 4,608,600.000

The above total when compared with the original estimates as presented to the 13th session of the Diet exceeds the latter by about 2,267,400 *yen*; and the same when compared with the estimates made at the time of introducing the revised law into the Diet exceeds the latter by about 772,800 *yen*.

It ought to be stated, in regard to the latest estimates given above, that while the figures for the third class are based

on the estimate already settled by the investigation committee, the other figures are merely the results of probable estimates based on the actual yields for the first half of the year. In the latter cases, therefore, some discrepancies between the estimates and the actual yields will have to be expected.

SECTION III.

The business tax.

The bill for the business tax law was first presented before the 9th session of the Diet. The immediate occasion for its introduction was the great expansion of the national expenditures and the consequent need of increased revenue. As the business tax will take in the entire industrial class of the community, it will probably become one of the most secure as well as of the increasingly remunerative sources of revenue, and its transference from the domain of local to that of national taxation will remove the evil of laying unequal burdens on tax payers, which used to be the case so long as the business tax formed a part of the local taxation. For these reasons the Government now decided to look to the business tax as the first source of increased revenue.

It was proposed by the Government that the classes of business to be taxed should be determined by law, and that the different rates should be imposed according to the standards of business amounts, to be determined by taking into consideration such items as receipts from goods sold, amounts of capital, rental value of buildings, amounts of commissions, number of employees, &c.,—the aim being to make the tax-burdens correspond as nearly as possible to the degree of prosperity in business. Thus a line was

drawn below which business was not taxable as part of the national taxation, being merely left over to the domain of local taxation. The Imperial Diet passed the Government bill with but minor amendments and it was promulgated as Law No. XXXIII, of 1896, going into operation on January 1st, 1897.

But it was noted, after that law went into operation, that it was imperfect in one important point, i. e., in the case of taxing a particular business on the capital employed in that business, when that business was being undertaken both in Japan and foreign lands, or when the business was being carried on within the empire but in places both where the business tax law was operative and where it was not. This imperfection would be found particularly inconvenient in the case of levying the business tax upon foreigners on the coming into force of the revised treaties. The Government, therefore, decided to have the Business Tax Law amended, so that the tax should be imposed only on that part of the capital invested in a particular business, which was being employed in that part of the empire where the business tax law was operative. The bill embodying this amendment was introduced to the 13th session of the Diet, was passed and promulgated as Law No. XXXII of 1899.

The general estimates of the yield from the business tax made at the time that tax was first proposed in the 9th session of the Diet, were as follows:—

For 1897-98	(about)	^{yen} 5,874,100.000
„ 1898-99 and afterward	(„)		7,551,300.000

But in reality the yield was much less than the first estimate. The following figures give either the actual

receipt or the ascertained amount to be received:—

For 1897–1898	(about)	4,416,200.000 ^{yen}
„ 1898–1899	(„)	5,478,000.000
„ 1899–1900	(„)	5,598,500.000

This reduction from the amount of the estimate was owing to the fact that, although the first estimate of the Government had been made with much care, being based on the reliable results of previous researches, yet when the Government came to make actual assessment, the yield was found to be much less than the first estimate, doubtless due to the fact that the declarations of tax-payers, according to which the assessment was made, were less than their actual incomes, as is so apt to be the case in this kind of direct taxation.

SECTION IV.

The registration tax.

The registration tax was also another tax introduced in 1896,—as part of the increased taxation programme. This tax was to be levied in connection with all forms of registration in public ledgers, such as the registrations of lands, vessels, publications, copyrights, patents, designs, domiciles, mining industries, &c. as well as of lawyers and doctors. But since in most of these cases revenue had hitherto been received in the form of registration charges or fees, the really new items were confined only to the registration of lands, domiciles and a few others.

The bill for the registration tax was passed in the House of Representatives with but a few amendments and was finally promulgated as Law No. XXVII of 1896 and went into operation on April 1st of the same year.

In the 10th session of the Diet, however, the House of Representatives passed a bill for abolishing the registration tax for domiciles, and that bill, being also passed in the House of Peers, was promulgated as Law No. XXXI of 1897. The revenue from domicile registration, therefore, which amounted to some 875,300 *yen* for 1896-97, ceased to be received from 1897-98.

The registration tax underwent further changes. On the one hand, a revision of the registration tax law was made necessary through increase or changes in the items to be registered on account of the going into operation of the civil and the commercial codes and of the law for the registration of real estate as well as of the various accompanying laws; on the other hand, it became necessary to abolish the registration tax on patents, designs and trade-marks, since for these items a new arrangement came into force of levying fees, through the promulgation of the Patent Law, the Design Law and of the Trade-Mark Law. Besides these there was another reason for making changes, namely the need of increasing the revenue from 1899-1900. With these various objects in view, the two bills on the revision of the registration tax law were proposed by the Government in the 13th session of the Diet. One of these bills having been differently amended by each House, was finally so amended in a conference of the two Houses (and accepted by the Diet as thus amended,) that various changes, both increase and decrease, were made in the rates of taxation for securing the ownership of real estate and vessels and the registration of lands in the cadastres, as well as the registration of the copyrights of dramatic works and photographs, &c. The bill as thus amended was promulgated as Law No. LXXXIII of 1899. The other of the two bills was passed in the Diet

without amendment, and was promulgated as Law No. LX of the same year.

The estimated yield from the registration tax according to the calculations made at the time the bill for the registration tax was presented to the 9th session of the Diet was about 6,423,900 *yen*. The actual yields, however, have been much less,—the figures being as follows:—

For 1896-97	(about)	5,870,400. ^{<i>yen</i>} 000
„ 1897-98	(„)	5,540,400.000
„ 1898-99	(„)	5,874,700.000

The reductions from the estimated yields were due to the abolition of the tax for domicile registration, which was at first estimated to yield, from 1897-98 on, more than 1,300,000 *yen* annually. The fact, however, that, notwithstanding this large amount of abolished revenue, there was no more than a reduction of about 330,000 *yen* in the yield for 1897-98 on the yield for the previous year, and that for 1898-99, notwithstanding the abolition of the domicile registration, the yield was larger than that for 1896-97,—this fact no doubt proves that the receipt from this tax will keep on increasing with the coming years. Although there is no question that the yield will greatly increase from 1899-1900 on, as the result of the revisions of some existing laws mentioned above, there is as yet no reliable data on which to base calculations for the future. No estimates are, therefore, given in this connection.

SECTION V.

The tax on saké.

I. Revision of the law for the taxing the manufacture of saké.

The saké tax being one of the most remunerative as well as being a tax levied on an article of luxury, the Government decided to increase its rate, as an item in the first scheme of increased taxation. Accordingly, a bill on the saké-manufacture tax law was presented to the 9th session of the Diet, providing for an increased rate of tax per *koku* of saké manufactured as well as for various conveniences of brewers and for stricter safe-guarding against evasions of the law by amending the imperfections of previous regulations. The main points in the new law, which differ from the old, were as follows:—

1. The kinds of saké to be taxed were determined by mentioning particular names of saké.

2. The special license tax on saké manufacture was repealed, and made a part of the general business tax.

3. The rates were increased as follows: 7 *yen* per *koku* for *seishu* and *dakushu* which used to be taxed at the rate of 4 *yen* per *koku* and for *hakushu* and *mirin* which used to be taxed at the rate of 6 *yen* per *koku*; 8 *yen* per *koku* for *shochu* (spirit) and alcohol, which used to be taxed at the rate of 5 *yen* per *koku*.

4. A kind of saké called *Sanruishu* (third class of saké), excepting *hakushu* and *mirin*, was to be taxed according to special regulations.

5. There was to be no limit to the granting of licenses for the manufacture of saké.

6. The time of payment of saké taxes was put later.

7. Permission was given to deduct the amount of dregs from the brewing amount of *seishu* (clear saké).

8. The conditions for remitting the taxes on account of rottenness, &c., were clearly stated.

9. Security for the payment of taxes was required in all cases,—a mortgage equal in value to the amount of the tax to be paid in each case being demanded.

10. The rules of discipline against evasion of the saké tax were perfected.

The Imperial Diet passed the Government bill after making the following amendments: namely, the rate of 7 *yen* per *roku* for *dakushu* was reduced to 6 *yen*; a limit was set to granting licenses in the case of *seishu*; instead of December, the following January was to be the time of the tax collection; the rate of deduction for dregs to be within 2 per cent. instead of 1 per cent; the value of the mortgage to be equal to one-half the amount of the tax instead of the whole amount. The bill thus amended and passed was promulgated as Law No. XXVIII of 1896. The estimated increase in revenue on account of the new rates, according to the calculations made at the time, was about 9,284,500 *yen*. The actual increase was, however, larger,—the manufactured quantity according to the Government inspection of saké manufacture year of 1896 (from October to September of the next year inclusive) being about 4,346,700 *roku* and the revenue about 30,284,900 *yen*, so that the increase over the revenue of the previous year was about 11,176,000 *yen*. The actual increase was, therefore, about 1,891,500 *yen* more than the estimate.

In the budget of 1899–1900 the Government was obliged to resort again to the increase of the saké tax, to meet a demand for increased revenue. But, on account

of the wide-spread practice, largely noticeable among saké brewers since the enforcement of the revised tax of 1896, of mixing alcohol with various kinds of saké in order to evade the tax, it came to be recognized that a further increase of the rate of tax on saké would not secure the required increased revenue, unless some other measures were adopted, at the same time, to prevent the evasion of the tax in the way mentioned above. With this object in view, as well as to further the convenience of brewers so far as compatible with the strict enforcement of discipline, a bill for amending of the saké tax law was presented to the 13th session of the Diet. The main points in the amendments now proposed were as follows:—

1. The rate of tax on the manufacture of *seishu*, *dakushu*, *hakushu* and *mirin* to be 12 *yen* per *koku* and that on *shochu* and alcohol 13 *yen* per *koku*.

2. The rate of tax on the manufacture of saké to be raised, in case the proportion of alcohol contained in it exceeds a limit fixed by law,—the increased rate to be fixed according to the excess-amount of alcohol contained in it.

3. To make effective the limitations in the granting of licenses for the manufacture of saké.

4. The time of payment of saké tax to be set later.

5. To extend the sphere of remittance of the tax on account of rotten saké, &c.

6. To further the convenience of the manufacturers in regard to the mortgage guaranteeing the payment of the tax, by fixing the amount of mortgage to be at the rate of 4 *yen* per *koku* of saké manufactured.

The Imperial Diet passed the bill with but minor alterations and it was promulgated as Law No. XXIII of 1898.

The amounts of saké manufactured, ascertained by inspection and the yield from taxing on the ascertained amount, as compared with the estimates made at the time of introducing the bill for the amendments, mentioned above, to the 13th session of the Diet, are as follows :—

TABLE SHOWING THE ASCERTAINED AMOUNTS OF SAKÉ MANUFACTURED AND THE YIELD FROM TAXING THE LATTER, AS COMPARED WITH THEIR FIRST ESTIMATES, FOR 1899-1900.

	Ascertained quantities and the revenues.	Estimates of the quantity and revenue.	Balance between the two.
For three months between { Oct. 1898 and Dec. 1898	713,861 <i>koku</i> 4,944,220 <i>yen</i>	1,353,925 <i>koku</i> 9,451,100 <i>yen</i>	† 640,064 <i>koku</i> † 4,506,880 <i>yen</i>
For nine months between Jan. { 1899 and Sept. 1899	3,668,190 <i>koku</i> 44,113,010 <i>yen</i>	3,225,006 <i>koku</i> 38,763,683 <i>yen</i>	443,184 <i>koku</i> 5,349,327 <i>yen</i>
Total	4,382,051 <i>koku</i> 49,057,230 <i>yen</i>	4,578,931 <i>koku</i> 48,214,783 <i>yen</i>	† 196,880 <i>koku</i> 842,447 <i>yen</i>

† Show the decrease.

It will be seen from the foregoing table that, while the total ascertained quantity of saké manufactured was less than its first estimate by about 196,800 *koku*, the actual revenue was more than the estimate by about 842,400 *yen*. These results were owing to the fact that the part inspected before the adoption of the increased rate was less than at first estimated, while the part inspected after the adoption of the increased rate was more.

Some doubts have been entertained that, on account of the rate of tax on saké being twice raised within but three or four years, there might be a reduction in the consumption of liquors, thus unfavourably influencing the revenue of the country. The following table seems to show, however, that such fears are really groundless.

Quantities of saké actually manufactured since 1894.
(for each saké manufacture year.).*

In 1894	(about)	4,131,100 ^{<i>koku</i>}
„ 1895	(„)	4,762,200
„ 1896, being the first year of the increased tax	(„)	4,432,200
„ 1897	(„)	4,678,000
„ 1898, being the year when the rate was further increased („)		4,509,300

The reduction of the quantity manufactured in 1896 was due doubtless to the extra quantity manufactured in 1895 in expectation of the adoption of an increased rate in 1896 and not to the decrease of consumption from the increased rate. This may be seen by noticing the large quantity manufactured in 1896 as compared with the figures for 1894 as well as the increase in 1897 over the quantity in 1896. That there was a slight decrease in 1898 from the quantity in 1897 was due doubtless to the extra quantity manufactured in the previous year in expectation of the raising of the rate in 1898 as well as to the fall in the price of rice and the consequent lessening of the purchasing power of farmers and the general depression of trade, and not to the effect of the increased rate of taxation.

II. Enactment and subsequent repeal of the law for the taxing of saké manufactured for household use.

While on the one hand the rate of tax per *koku* on saké manufactured for sale used to be from 4 to 6 *yen*, on the other hand saké manufactured, excepting *seishu*, for

*The figures mentioned, being those for the actual amounts manufactured, do not exactly correspond with the "ascertained" (by inspection) amounts manufactured.

household use and not exceeding 1 *koku* a year, was merely taxed by demanding the payment of 80 *sen* as license fee. The motive on the part of the Government which led to this lenient treatment of saké manufactured for household use was to protect the hard working poorer classes of people, who depended for comfort, as it was thought, on home-manufactured drinks. But the actual state of things was quite different. The home-manufacture of saké was most common among the well-to-do families and very scarce among the poorer classes, so that it turned out that the well-to-do families were receiving a special privilege granted by law, while the poorer classes were sharing indirectly in the burdens of the saké tax. For this reason the Government undertook, in connection with the scheme of increased saké tax proposed at the 9th session of the Diet, to increase the rate of tax on saké manufactured for household use and to demand a fixed qualification for those to whom the license was granted. It was hoped that, by this arrangement, the balance between the tax on saké manufactured for sale and that on saké manufactured for household use would be preserved, and the spirit of the increased taxation scheme carried out everywhere. The bill for the law for taxing saké for household consumption was presented to the 9th session of the Diet and was passed and promulgated as Law No. XXIX of 1896. As the result of this law, the number of licenses for the manufacture of saké for household use greatly decreased, coming down to about one tenth of the number before the adoption of the new law.

When the rate per *koku* of tax on saké was to be raised again, the Government was again confronted with the question of the treatment of saké manufactured for household use. Now, the latter being as its name shows

a strictly private affair, there was of course no need for setting up special manufactories, and much difficulty was experienced in inspecting and in otherwise carrying out the provisions of the law relative to its taxation. Besides, should the saké manufactured for household use be taxed at a lighter rate than that manufactured for sale, such a special treatment of the former would lead to various evasions of the law, even to the manufacture of the kinds of liquors which were not taxable. For this reason it was decided, at the same time with the raising of the rate per *koku* to 12 *yen* or 13 *yen*, to abolish altogether the special privileges for the manufacture of saké for household consumption, in order thus to protect and increase the revenue from the tax on saké manufactured for sale. The bill for the repeal of the law for the taxing of saké manufactured for household consumption was presented to the 13th session of the Diet and that law ceased to be operative from January 1st, 1899.

Since the home-brewing of saké had been an old custom with our people, so that in certain quarters almost every household engaged in it, the Government took every precaution to prevent the occurrence of cases of law-breaking through ignorance, now that the special treatment of this long-standing custom was to cease. Count Matsukata, the Finance Minister at the time, gave order to the Governors of the prefectures to give instructions on this subject to the people under their respective jurisdictions, also ordered the local inspectors of the tax-administration to take steps on consultation with the Governors to explain the meaning of the law on the subject, so that the occurrence of cases of law-breaking may be prevented as far as possible. At the same time, the Government inspection and surveyance were strictly enforced against cases of law-breaking. For these reasons,

even in places where the largest number of licenses for the manufacture of saké for household use had existed, there occurred but few cases of law-breaking.

III. *Legislation concerning Alcohol.*

About 1891 and 1892, there came to prevail a widespread practice of various irregularities connected with the evasion of the saké tax law; such, for instance, as the addition of alcohol and water in *seishu*, or the making of various kinds of *meishu* by mixing alcohol with sugar water and other ingredients for retail sale at small shops, without paying the license duties. The liquors thus made could be sold cheaper than regular saké manufactured by paying taxes, and the manufacturers of the latter found it very difficult to compete with the liquors thus irregularly produced. For this reason, by Law No. XVII of 1893, the Government imposed a business tax on trade in alcohol at the rate of 25 *yen* per *koku* of alcohol sold. Yet the cases of evasion of the law as well as of the arrears of payment of the tax on alcohol were numerous,—most of the traders in alcohol, being persons of small capital, who engaged in the business expecting to run into arrears of tax payment. The alcohol tax law of 1893 seemed to fail in attaining its objects. When, therefore, the bill for increasing the rate of taxation on saké was laid before the 9th session of the Diet, another bill for taxing the mixed saké was also introduced. The purport of the latter bill being to bring under the category of the mixed saké what used to be heretofore called *sanruishu* (the third class of saké) in the Saké Tax Regulations, as well as all liquors made by mixing alcohol and water with saké, and to tax the mixed saké at the rate of 6 *yen* per *koku*.

Besides, those persons who, without keeping separate establishments for manufacture, made the mixed saké at shops where they were immediately sold, were to be charged for license by paying the duty of 2 *yen* a month for each shop. The bill for taxing the mixed saké was presented to the 9th session of the Diet and was passed, with the exception of the monthly license duty clause,—the rate per *koku* being made applicable in all cases—and was promulgated as Law No. XXX of 1896.

But the making of the mixed saké being of simple an affair, it was very difficult to exercise proper control over the matter. It soon came to be seen that the law for taxing the mixed saké was not effective in properly exercising control over the sale of alcohol. Since, moreover, the definition of “mixed saké” was too narrow to include all kinds of liquors made by the process of mixing different ingredients, many cases were discovered where a liquor actually the same as the mixed saké was sold without paying the tax. For this reason, at the same time with proposing to the 13th session of the Diet the revision of the tax on the manufacture of saké, a revision of the law for taxing the mixed saké was also proposed. In the proposed revision in the latter case, the definition of mixed saké was changed, the rate of tax was raised to 13 *yen* per *koku* and the rate was to be further raised in case the proportion of alcohol contained in a mixed saké exceeded a certain fixed limit, proportionally to the excess amount. The Diet approving all those measures, the bill for the revision of the law for taxing the mixed saké was accordingly promulgated as Law.

But something more than this revision was needed in order to exercise the strict control over the sale of alcohol. It was necessary to have the import of alcohol strictly and

properly taxed. For this reason the tariff regulations were now revised,—the rate of *ad valorem* duty on alcohol being raised to 250 per cent. from 40 per cent., and any liquor containing alcohol beyond a limit fixed in the law to be taxed at the same rate as alcohol. At the same time with this revision of the tariff regulations, the Government proposed that the license duties on the trade in alcohol should be repealed. The scheme was approved by the Diet at its 13th session and became operative from August 15th, 1899.

The control of alcohol used in mixing with saké may be said to be now properly exercised. Yet alcohol is otherwise largely used in medicine and industry; and the Government decided to make exceptions in the latter cases, in order that the alcohol tax may not injuriously affect the use of alcohol in medicine and industry. The bill for the law providing that, in the case of alcohol used for medicine and industry, the money equal to the tax paid for it, should be refunded, on the presentation of certificates respecting the amounts thus employed, from the proper authorities, was presented in the 13th session of the Diet, and being passed was promulgated as Law No. XXVII of 1898.

SECTION VI.

The tax on soy.

Although a part of the soy tax regulations was revised in 1896, that revision was solely concerned with the repealing of a special business tax on soy, mentioned in the regulations—this course being made necessary through the enforcement of the business tax law. The Government avoided as far as possible taking steps toward

increasing the tax on soy, an article of daily consumption, equally needed both by the rich and the poor. It was felt even desirable that articles like soy should be entirely free from taxes, if such a course was possible. But when in 1899, the Imperial Diet cut down the increased rate of land taxation, i. e. 4 per cent., proposed by the Government, there was left no other course for the Government to take but to seek some other source of revenue. The proposal was now made by the Government, with no little reluctance, to increase the rate of tax on soy manufacture, from 1 *yen* per *koku* to 2 *yen*; the bill embodying the measure being presented to the Diet at its 13th session. The bill was passed in the Diet, with the amendments proposed by the House of Representatives that the soy manufacture for household use, when exceeding certain fixed amount, should also be taxed at the rate of 1 *yen* per *koku*, and that the time of payment of this tax should be set down to a later date and that the tax on raw soy should be repealed,—the latter items aiming to give convenience to the manufacturers of soy. The bill thus amended was promulgated as Law No. XXV of 1899.

On the going into force of this law, it was feared that, since the manufacture of soy for household use was a practice followed very extensively throughout the country, except in the cities, many cases of law-breaking might occur through ignorance of those provisions in the revised soy tax law which placed a limit to the quantity manufactured for household use free of duty. For this reason, count Matsukata, the Finance Minister at that time, gave instructions to the Governors of prefectures to have the provisions of the law explained to the people under their respective jurisdictions, as well as instructions to the local inspectors of the tax-administration to take steps in consultation with the Governors for properly warning the people

concerning the prohibitory clauses in the law. It is gratifying that, as a result of these precautions, the cases of lawbreaking have been very few.

The original estimates of the revenue from soy tax made at the time of presenting the bill on the revised soy tax law to the Diet as compared with the estimated revenue for 1899–1900 from the tax on the ascertained amounts of soy to be manufactured in 1899, are as follows:—

Items.	From Jan. to Feb.	From March to Dec.	Total
Original Estimates.... { Quantity manufactured	346,317 <i>koku</i>	1,252,069 <i>koku</i>	1,598,386 <i>koku</i>
Revenue	346,317 <i>yen</i>	2,504,138 <i>yen</i>	2,850,455 <i>yen</i>
Ascertained Estimates { Quantity manufactured	1,242,525 <i>koku</i>	611,686 <i>koku</i>	1,854,211 <i>koku</i>
Revenue.....	1,242,525 <i>yen</i>	1,223,372 <i>yen</i>	2,465,897 <i>yen</i>
Balance, between the { Quantity manufactured	896,208 <i>koku</i>	† 640,383 <i>koku</i>	255,825 <i>koku</i>
two..... { Revenue.....	896,208 <i>yen</i>	† 1,280,766 <i>yen</i>	† 384,558 <i>yen</i>

† Shows the decrease.

It will be seen from the above table that, while the ascertained estimates showed an increase in regard to the quantity manufactured over the original estimates by about 255,800 *koku*, in regard to the revenue there was a decrease from the original estimates of about 384,500 *yen*. This decrease was mainly due to the large amounts of soy manufactured which demanded inspection, before the coming into operation of the increased rate of tax on soy. Such, however, can be but a temporary thing; and as these large amounts manufactured would soon be sold off, there is no question that the Government will obtain in future the full amount of revenue from soy as originally estimated.

SECTION VII.

The stamp duties.

Since the stamp duty regulations were first promulgated in 1873, various amendments have been made, with

the object of adjusting the rates to the changed economic conditions of the country. But after the changes made in 1884 no important change was introduced for more than ten years. It came to be seen at last that, in view of the great expansion of the national affairs and the rapid development of our commerce, the old regulations concerning stamp duties needed some important changes. For this reason, a bill for the stamp duty law was drawn up to be adopted in place of the old regulations and presented to the Diet at its 13th session. The main points in this revised law were as follows:—

1. To simplify the rate of stamp duties.
2. To repeal the duty on cheques.
3. To equalize the duties on documents or books of account relating to complicated transactions.
4. To abolish the prepared bills or notes.
5. To limit the sphere of the exemptions from stamp duties.
6. To increase the classes of documents which may receive the stamp of official signs, instead of using duty stamps.
7. To simplify the process of the defacement on the stamps.

The bill on the stamp duty law was amended in the House of Representatives, but since the House of Peers revived the Government proposal concerning the rate of duties on exchange-bills and promissory notes, which had been amended in the House of Representatives, the matter was settled in a conference of the two Houses and the bill was finally promulgated as Law No. LIV of 1899.

When the stamp duty law was promulgated, there arose a dispute in regard to the interpretation of one clause in the law, but the dispute has since been settled and the benefits of the new law are now widely recognized.

Since the revenues from the stamp duties have been counted together with the revenues from the registration and the patent medicine duties under the general item of "Receipt from stamps," it is difficult to find out the amounts received in previous years from the regular stamp duties alone without first finding out the receipts from the other items. For this reason, we can not give the figures to show just what changes there occurred in the receipts from the stamp duties as the result of recent changes in the law. It is, however, safe to assert that the receipts, instead of decreasing, have increased. In fact, it may be said that, from the very nature of this form of taxation, its receipts are bound to increase with the general economic progress of the country, and there is no doubt that the stamp duties are a good source of revenue. The following table, which gives the figures for receipts from stamp duties since the revision of the stamp duty regulations in 1884, will show how the revenue from this source has steadily increased.

Years.	Receipts from stamp duties on legal docu- ments.	Receipts from stamp duties on prepared bills or notes.	Receipts from stamp duties on cheques.	Total.
	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
1884 (17th year, <i>Meiji</i>)	660,684	16,934	2,727	680,345
1885 (18th " ")	407,925	5,743	1,093	414,761
1886 (19th " ")	576,478	8,711	1,895	587,084
1887 (20th " ")	549,428	2,794	11,818	564,040
1888 (21st " ")	968,186	13,410	2,945	984,541
1889 (22nd " ")	600,223	18,161	3,553	621,937
1890 (23rd " ")	556,947	24,003	3,724	584,674
1891 (24th " ")	559,861	25,652	3,731	589,244
1892 (25th " ")	632,184	25,733	5,597	663,514
1893 (26th " ")	716,908	38,947	5,690	761,545
1894 (27th " ")	737,449	46,667	9,331	793,447
1895 (28th " ")	826,609	63,323	11,066	900,998
1896 (29th " ")	1,005,392	95,102	15,551	1,116,045
1897 (30th " ")	1,060,321	124,337	25,236	1,209,894

Note :—That the figures for 1888–89 are exceptionally large is due to the fact that in that year it was required to use stamps for registration fees.

CHAPTER III. THE TARIFF SYSTEM.

SECTION I.

Enactment of the tariff regulations and of the customs law.

The system of customs duties in vogue in past years was based on the treaty stipulations with the foreign countries. The first treaties were concluded in 1858 with five countries, i. e. Great Britain, the United States of America, France, Russia and Holland; the custom-houses were first opened at Yokohama, Nagasaki and Hakodate in June, 1859, and Kobe was opened to foreign trade in 1867. In 1866, there were concluded the revised tariff conventions, respecting the export and import duties, the trade regulations, &c.

Since those early years, no change was made in the tariff system of the country for nearly forty years, until, in 1894, the Government commenced the work of drafting the new regulations and, in 1897, the Tariff Regulations were promulgated by Law No. XIV of that year. According to these regulations there were to be three classes of articles, i. e. (1) articles subject to duty, (2) articles exempted from duty, and (3) prohibited articles. The rates of duty for the first class of articles were to be fixed between the minimum of 5 per cent. and the maximum of 40 per cent., and the articles subject to duty were divided into sixteen sub-classes. The common manufactured articles were required to pay a duty of 20 per cent., which was made the starting point for all the manufactured articles. The first sub-class included the natural products of the soil and the non-manufactured

articles; the second sub-class consisted of scientific apparatus and raw materials; the third sub-class of machinery and rolling stocks; the fourth sub-class comprised semi-manufactured articles; the fifth sub-class consisted of the articles of daily consumption; for these classes the rates were reduced. The sixth sub-class consisted of the articles of luxury; and the seventh sub-class of liquors and tobacco; for these classes the rates were increased. The average rate was 10.52 per cent. With the going into operation of the tariff regulations from January 1st, 1899, there was need of a more fundamental law, serving as the basis of those regulations. The Imperial Customs Law was, therefore, promulgated. Although there existed previously some rules concerning customs, yet they were mostly based on the revised tariff conventions of 1866, in order that the same treatment might be accorded to both Japanese and foreigners. And since the first treaties concluded with the foreign countries solely referred to matters of trade, their chief concern was with the tariff matters.

The independence of the Imperial tariff system from treaty stipulations with foreign countries and the establishment of the customs law must be regarded as the attainment of one great aim in the policy steadily pursued by the Imperial Government since the time of the Restoration. In drawing up the customs law, the Government spared no pains in consulting the laws of similar nature in foreign countries as well as the actual conditions of affairs at home, and the bill as thus drafted was presented to the Diet at its 13th session and adopted by the both Houses. When this law was promulgated, all the old treaties and their supplementary conventions concerning the trade matters, which referred to the

customs, as well as other subsidiary stipulations with the foreign countries such as the ware-house rules, the rented-warehouse rules, the shed regulations, &c., were also revised so as to come into harmony with the new customs law.

While all complaints concerning tariff matters had been previously treated as questions of interpretation of the treaties and referred to diplomatic negotiations, there was now provided in the new customs law a particular method of hearing such complaints and the composition of the committee to hear such complaints was made determinable by Imperial Ordinance.

Again, as to the opening of new ports to foreign commerce it became possible henceforth to do so by Imperial Ordinance. Further, by the promulgation of the customs law, the bonded-ware-house law enacted in 1897 came to constitute a part of the customs system as a whole, and also the rules concerning the inland transit of goods and the customs roads were established for the first time.

SECTION II.

Enactment of the tonnage law.

It was stipulated, according to the trade regulations accompanying the old treaties with the foreign nations, that all foreign ships were to pay harbour dues each time they entered and cleared the harbours, but no tonnage dues were to be levied. The same thing was, therefore, put down also in the custom-house regulations. Now the harbour dues, thus stipulated according to the old treaties, were to be levied without reference to the size of ships, so that the smaller ships belonging to the Japanese

subjects suffered most from the heavy burdens.

A bill was now presented to the Diet at its 13th session, according to which the tonnage dues of 10 *sen* per ton were to be levied on each ship. A conference of the two Houses to which the bill was finally referred, fixed the rate at 5 *sen* per ton, and the bill as thus amended was passed in the Diet and became law.

CHAPTER IV.

THE LEAF-TOBACCO MONOPOLY.

The leaf-tobacco monopoly law was promulgated with the approval of the Diet at its 9th session, after a careful consideration of the conditions of the tobacco producing regions as well as of the customs and practices concerning the tobacco trade in the country. It was the intention of the Government to make the leaf-tobacco monopoly a permanent source of revenue, and at the same time to repeal the stamp duties on tobacco, thus relieving its trade of the vexatious restrictions and details of stamp duties. The leaf-tobacco monopoly law became operative from January 1st, 1898.

A bill for the revision of parts of these regulations, namely, the parts which related to the rules concerning the monopoly of imported leaf-tobacco and the processes concerning the sale of leaf-tobacco as well as the rules of discipline against law-breaking, was presented to the Imperial Diet at its 13th session. The Diet passed the bill, with the amendments on the bill, so as to put limits to regions as well as to the extent of farms where tobacco might be raised, and further to levy license duties on tobacco trade. A part of these revisions went into operation from March, 1899, and the rest from August of the same year.

Concerning the treatment of law-breakers, it was found difficult to deal with them according to the common processes of law. The Government, therefore, presented to the Diet at its 13th session a bill for the law making these law-breakers amenable to the law for the treatment of offenders against the national indirect taxes. The bill was regularly passed in the Diet and went into operation as law from April 15th, 1899.

In connection with the going into operation of the leaf-tobacco monopoly law, there was need of a fund for the purchase of leaf-tobacco and of placing that fund under a special *comptabilité*. The law for the special *comptabilité* of the leaf-tobacco monopoly fund was accordingly promulgated. But with the view of enlarging and improving the business of the leaf-tobacco monopoly, it was felt advisable to change the fund account into the factory account from 1900-01 on and accordingly a bill for the repeal of the law for the special *comptabilité* of funds and another bill for the revision of the law for the special *comptabilité* for factories were presented to the Diet and, being passed, were promulgated as law.

The foregoing is a brief sketch of the history of the leaf-tobacco monopoly since its first adoption. The following sketches will give the actual working of the system as a source of revenue.

SECTION I.

The condition in 1897-98. (i. e. for three months,
January-March, 1898)

By January 1st, 1898,—that being the first day on which the leaf-tobacco monopoly law went into operation, thereby making a sweeping change in the trade of leaf tobacco throughout the country,—the Government had the complete returns of the actual quantities of leaf tobacco in the country. It was known that on that day there existed about 7,926,900 *kwan* of leaf-tobacco, being the amount transferred from the previous year. Of the above total amount, the part in possession of manufacturers who did not come under the monopoly law amounted to about

7,149,300 *kwan*. On this amount, there were levied duties in stamps or cash,—the receipts amounting to about 4,848,600 *yen*. The rest of the total amount,—about 777,500 *kwan*—was held by brokers and cultivators who came under the monopoly law. Of this amount, about 713,900 *kwan* were delivered over to the Government during 1897–98. The part which could not be delivered during that year and for which the special permission to keep till the next year was granted, amounted to but about 60,000 *kwan*. Of the amount received by the Government, about 704,300 *kwan* were sold off during the year, while about 9,300 *kwan* still remained in the Government ware-house at the end of 1897–98. The profit from the transaction for 1897–98 was about 292,100 *yen*, being 84 per cent. of the value of the compensation.

The above mentioned revenue was less by about 567,500 *yen* than the amount set down in the estimates. But when it is remembered that most of the amounts in possession of the brokers and cultivators had passed into the possession of manufacturers before the going into operation of the monopoly law, so that there was an increased revenue from stamp duties of about 2,614,400 *yen*, it turned out after all that in reality there was an increased revenue from tobacco of about 2,046,000 *yen*.

SECTION II.

The condition in 1898–99.

Tobacco was cultivated for the first time under the monopoly system in 1898–99. And as to the quantity delivered over to the Government, while the first calculations of the Government based on the reports sent in by

the cultivators was about 10,521,000 *kwan*, the actual receipts only amounted to about 8,262,000 *kwan*. Of the above amount, however, only about 8,121,600 *kwan* were actually received during 1898-99; about 140,400 *kwan* being kept over till the next year with the special permission of the Government. On the other hand, the amount exported abroad was about 24,000 *kwan*. Now when the receipts at the Government ware-house, i. e. 8,262,000 *kwan* altogether, are compared with the estimate mentioned in the budget for 1898-99, i. e. about 13,907,000 *kwan*, we see that the actual receipts were less than the estimate by about 5,645,000 *kwan*, and that they were less than the first calculation of the Government, i. e. 10,521,000 *kwan*, by about 2,235,000 *kwan*.

The amounts received and delivered over by the Government in 1898-99 were as follows: the amount received was about 8,195,600 *kwan*, of which about 9,300 *kwan* were transferred from the previous year, about 8,181,600 *kwan* were actually bought by the Government in this year, while about 4,600 *kwan* were received on account of confiscation and other causes; the amount delivered over was altogether about 7,138,400 *kwan*, of which about 7,134,300 *kwan* were sold off, while the losses and damages reduced the stock by about 4,000 *kwan*. There remained in the ware-houses at the end of the fiscal year about 1,057,100 *kwan* and the profits from the monopoly for 1898-99 amounted to about 5,145,900 *yen*.

The above mentioned amount of profits was obtained by calculating the profits at the rate of 84 per cent. of the value of the compensation for the three months of April, May and June, and for the rest of the fiscal year at the rate of 100 per cent. Now this amount of revenue, when compared with the amount mentioned in the budget, was

less by about 2,176,400 *yen*. The reasons for this decrease are twofold: on the one hand, the causes must be ascribed to the reduced crops of tobacco from natural calamities and to the inability on the part of the Government of stopping the clandestine trade; on the other hand, the reasons lay in the reduced scale of cultivation, owing to fear on the part of cultivators that their profits might be injuriously affected by the monopoly system, and also to the fact that the larger part of leaf-tobacco, existing in the country at the time of the going into operation of the monopoly law, had been bought up by manufacturers who did not come under the monopoly system. But since the monopoly profits, which were lost to the Government from the last mentioned fact, were made up by the increased revenue from the stamp duties on tobacco, it turned out in the end that there was no loss to the Government.

Owing to the yearly increasing consumption of tobacco in the country on the one hand, and, on the other hand, to the insufficiency of the home-produced tobacco to supply the demand,—the insufficiency which existed even before the adoption of the monopoly system—and to the general expectation that the monopoly would raise the price of tobacco, there took place a phenomenal rise of the price of tobacco from October to December, 1897. The price rose still further in 1898, owing to the poor crops and the reduced amount of produce. For this reason, as well as for the sudden increase of the demand and for the increased importation of leaf-tobacco with the idea of taking advantage of the low rate of duty, in view of the general expectation that the tobacco tariff would soon be raised, there took place an exceptionally large importation of tobacco from foreign countries, even to the amount of about 4,930,000

kwan, valued at about 4,527,600 *yen*,—of this amount, the part imported from China was no less than about 3,861,000 *kwan*, valued at some 2,904,000 *yen*. This large amount of import of leaf-tobacco, when compared with the amount imported in 1897, showed an increase in value of about 4,200,000 *yen*, and naturally raised a grave question in regard to the effect of such large importation on the revenue from the leaf-tobacco monopoly. The time for the enforcement of the revised treaties, however, arrived, and the Government decided to monopolize the importation of foreign leaf-tobacco, so as to regulate the quantities to be imported in accordance with the demand of the market, and also to raise the tariff rate on manufactured foreign tobacco,—thus taking measures to protect the revenue from the monopoly.

SECTION III.

The condition in 1899-1900.

As was mentioned in the preceding section, the Government decided to monopolize the importation of foreign leaf-tobacco, and a bill for the regulations concerning the scheme as well as a bill for the revision of a part of the law for the monopoly of leaf-tobacco, were introduced to the Imperial Diet at its 13th session. The bill was passed in the Diet with a few amendments. Now according to these amendments, the increased revenue from the monopoly of the importation of foreign leaf-tobacco, which was put at about 538,900 *yen* for 1899-1900 and at about 1,082,100 *yen* for 1900-01 and each succeeding year, according to the Government bill, became enlarged, being put at about 1,709,200 *yen* for 1899-1900 and at about 2,145,500 *yen* for 1900-01 and each succeeding year;

further, the revenue from the license duties on tobacco trade was estimated according to the amendments at about 831,700 *yen* for 1899–1900 and each succeeding year.

The amount of leaf-tobacco produced in the country in 1899–1900 was estimated at about 14,014,000 *kwan*, of which about 13,907,000 *kwan* were expected to be received by the Government; of the latter about 13,212,000 *kwan* were to be received during the fiscal year and about 695,000 *kwan* kept over till the next year with the special permission of the Government. The amount exported abroad was estimated at about 106,000 *kwan*.

The gross receipts by the Government of home-produced leaf-tobacco for 1899–1900 were estimated at about 15,901,000 *kwan*, of which the amount transferred from the previous year was about 1,994,000 *kwan*, and the amount received during the fiscal year about 13,907,000 *kwan*. The gross amount delivered over by the Government, on the other hand, was estimated at about 12,721,000 *kwan*, of which the amount sold off was put at about 12,705,000 *kwan* and the loss from damages, &c., at about 15,000 *kwan*,—the rest 3,180,300 *kwan* remaining over till the next year. The profit of the Government from these transactions was originally put at about 7,760,100 *yen*, but on account of a revision of part of the monopoly law, as was mentioned before, the estimated profit rose to about 8,930,500 *yen*.

The amount of the foreign imported leaf-tobacco and received by the Government during 1899–1900 was estimated at about 308,000 *kwan*; of which the amount delivered over by the Government was about 216,000 *kwan*. Of the latter, the amount sold off was set at about 215,000 *kwan* and the loss from damages, &c., about 300 *kwan*, so that about 92,000 *kwan* would remain over till the next

year. The profit from these transactions was estimated at about 538,900 *yen*.

The gross profit from the monopoly of home and foreign produced leaf-tobacco for 1899-1900 was estimated at about 9,469,400 *yen*, being calculated at the average rate of 100 per cent. of the value of either compensation or importation.

Concerning the condition of the crop at home for 1899-1900,—the estimate of the yield from fields, at the time the reports of the cultivation were sent in, was about 15,152,000 *kwan*. This large amount would doubtless be somewhat reduced in the actual yield, on account of certain localities suffering from natural calamities, but, as yet, the year is not sufficiently advanced to make precise calculations in regard to the actual crop of this year. Concerning the monopoly of foreign leaf-tobacco,—it may be noted that the monopoly was commenced on August 15th, 1899, and that in anticipation of that event there took place very active importation by private individuals,—the amount imported between January and the date mentioned above having reached about 2,597,000 *kwan*, valued at about 5,085,000 *yen* (of these figures, the American leaf-tobacco constituted about 2,308,000 *kwan*, valued at about 4,838,000 *yen*). That there will occur no small discrepancy between the estimated figures and the actual figures at the end of the year does not seem to admit of any doubt.

PART III. MATTERS CONNECTED WITH THE COINAGE, THE PUBLIC LOAN AND THE INDEMNITY MONEY.

CHAPTER I.

ENACTMENT OF THE COINAGE LAW AND THE PARTICULARS RELATIVE TO ITS ENFORCEMENT.

The enactment and enforcement of the coinage law, Law No. XVI of the 30th year of *Meiji* (1897), was indeed one of the most important of the *post-bellum* undertakings, having to do with the establishment of the gold standard in place of a *de facto* silver standard. The full particulars connected with the coinage reform were presented in the report by Count Matsukata dated May 18th, 1899, under the title of the "Report on the Adoption of the Gold Standard in Japan." But as the subject can not be entirely dispensed with in this connection, its brief outline will be given in the present chapter.

SECTION I.

Steps in the development of the coinage system.

From the first establishment of the coinage system in the 6th year of *Keicho* (1600 A. D.) under the *Tokugawa Shogunate* till the overthrow of the *Shogunate* Government in 1868, there had been no change in the system for more than two hundred and sixty years. Yet various causes taken together have combined to practically destroy that system and bring the currency of the country into the greatest disorder. Chief among these causes may be

mentioned the fact that the coins in circulation became debased, losing both in quality and quantity through successive recoinage, to which the *Shogunate* Government invariably resorted, as its relief measure, at times of financial distress; the only case of recoinage in which debasement did not take place being that of the *Kioho* era (1715–1734 A. D.). In addition to this main cause, there must be mentioned the fact that some of the *Han* (or *Daimio*) governments secretly coined money or issued paper currency for circulation within their respective dominions. These things naturally led to the practical destruction of the system established during the *Keicho* era.

After the Restoration, the Imperial Government felt the pressing need of reforming the currency system of the country, and, as a first step in the work of reform, established the Osaka Mint. Closely following that step, the Government introduced a new system of gold coinage by the promulgation of the New Coinage Regulations in May, 1871. Yet, owing to the fact that in those early days the universal medium of exchange in the trade of the Far East was the Mexican dollar, the Government thought that the interests of the foreign trade would be best served by issuing, aside from the standard gold coins, the silver 1-yen (or trade dollar) equal in size and quality to the Mexican dollar and by making it legal tender within the limits of the treaty ports. But on account of the disordered financial conditions of the country at that time, chiefly owing to the inflation of inconvertible paper money, the coins were exported from the country with enormous rapidity, and the great difficulty of maintaining a gold standard by a country situated in the midst of the silver countries of the East was now painfully realized.

For this reason, in May, 1878, by Imperial Ordinances No. XII and No. XIII, the Government gave permission to use the 1-yen trade dollar as legal tender throughout the country at large. Thus was our gold standard system changed now into a gold and silver double standard. On the other hand, immediately after the Restoration the Government, in order to fill the empty exchequer, began to issue paper money as an unavoidable expedient of a temporary nature to meet the expenses of the Revolutionary War; moreover, when, in 1871, the *Han* governments were abolished, the paper moneys issued by them had to be taken over by the Imperial Government, so that for the adjustment of this class of paper money a further large amount of notes had to be issued; then again, the civil war of 1877 broke out, and for the expenses of subduing that rebellion another large amount of paper money was issued. These successive issues swelled the paper currency of the country to an immense amount, far beyond the actual need. In the spring of the year 1878 a depreciating tendency set in, and the troubles grew steadily greater. In August 1876, by Imperial Ordinance No. CVI, the Government revised the National Bank Regulations, making the establishment of national banks very much easier, which led to the corresponding expansion in the volume of bank notes. This greatly accelerated the depreciation of paper money, leading to the rise of prices, the exodus of specie, the excess of the imports over the exports, the growth of the habits of luxury among agricultural populations and of the spirit of speculation among merchants and manufacturers. All these things together combined to bring on the economical crisis of 1880 and 1881. The authorities of the time interpreted the depreciation of paper money as

being caused by the scarcity of silver currency, and did every thing possible to increase the volume of silver coins in the market. The Government sold silver coins; planned to facilitate the exchange of silver coins and to call forth coins hoarded by the people by opening places for the exchange of Mexican dollars and by the establishment of the Yokohama Specie Bank. But the more they tried to keep down the price of silver, so much more it rose, until the Yokohama Specie Bank, which was established in February, 1880, came to the brink of bankruptcy in the short space of one year. These facts, however, made it clear at last that there was no other course to pursue in order to stop the depreciation except to contract the volume of the paper currency. In September, 1880, the Government for the first time commenced to redeem part of the paper money. But the depreciating tendency was not stopped. When in October, 1881, Count Matsukata became Minister of Finance, he saw that the mere redemption of a part of the paper money would not be sufficient to stop its depreciation, but that, besides this, it would be necessary to take steps to increase the specie reserve of the Government as preparatory to the resumption of specie payment, as well as to establish a central bank with the power of issuing convertible notes in order to relieve the general financial distress and to perfect the monetary system of the country. These plans being proposed in the Cabinet Council and adopted, the Bank of Japan was established by Imperial Ordinance No. XXXII in June, 1882, and the privilege of issuing convertible notes was granted to the Bank, by Imperial Ordinance, No. XVII in May, 1884. Further, the method of making receipts and disbursements of the Government revenue was changed, a strict economy was practiced in the dif-

ferent departments of the Government, and one half of the surplus obtained in this way was devoted to the redemption of paper money, while the other half was added to the specie reserve. Besides, since the latter part of 1881, this reserve fund was employed for discounting the foreign bills of exchange, with a view to encouraging the export trade of the country, which in turn would lead to the importation of specie. In this way, there took place on the one hand the gradual redemption of the paper money, and on the other the augmentation of the specie reserve,—with the effect that the Government paper money began now to regain credit. At the close of 1885, the difference between silver and paper almost disappeared. The opportune moment seemed now to have arrived for effecting the substitution of the convertible for the inconvertible notes. The Government therefore gave notice by Imperial Ordinance, No. XIV in June, 1885, that specie payment would be resumed from the first day of January, 1886. Previous to this, by Imperial Ordinance No. XIV, in May, 1883, the National Bank Regulations were revised and a method of conjoined redemption of the notes of all the national banks was adopted. And at last, by Law No. VIII of 1896, and Law No. VI of 1898, both the Government paper money and the national bank notes were prohibited from circulating after December, 1899. Thus was the convertible note system at last established on a firm and stable foundation. These particulars were fully stated in the Report on the Adjustment of the Paper Currency presented in October, 1890.

But on the other hand, one effect of the establishment of the convertible note system, as thus narrated, was to make Japan a *de facto* silver standard country. This was perhaps an inevitable step the country had to take in

order to reach at last a sound financial basis. The authorities were conscious even at that time that, in order to a healthy financial development, Japan would have to enter sooner or latter the international economic community by adopting a gold standard. That the Government nevertheless pursued a policy which led to the inevitable result of making Japan a *de facto* silver country was due mainly to the great difficulty of accumulating the large gold reserve which would be needed for adopting the gold standard. It was thought advisable to leave the latter, as a further end to be aimed at, to some more favourable time.

The first cause of the recent rapid depreciation of silver we must attribute to Germany's adoption of the gold standard in 1873, in consequence of which she began to sell silver. Among other powerful causes may be mentioned the limitation and final cessation of silver coinage in the countries of the Latin Union, and the discovery of the rich silver mines of North America. When, however, in 1893, India, the greatest silver country in Asia, took steps to reorganize her currency system, the sudden fall in the price of silver became exceptionally marked. At this time, Japan being a *de facto* silver country, the effect upon her of this sudden fall was very great. Fluctuations in foreign exchange now became exceedingly frequent and unreliable. Business men lost a constant standard of value, and the foreign trade ceased to make healthy development. Besides the prices rose exorbitantly, the spirit of speculation became rampant, and, in other ways, the greatest disorder began to prevail in the economic condition of the country. The authorities became more and more impressed with the fear that to maintain further the silver standard might be opposed the

best interest of the country and that the time seemed ripe for adopting at once the gold standard system. The Finance Minister of this time, Mr. (now Viscount) Kunitake Watanabe, presented a memorandum on the necessity of making investigations of the coinage system of the country, and the Coinage System Investigation Commission was appointed, by Imperial Ordinance No. CXIII of October, 1893. The results of the investigations conducted by that Commission showed that the majority of the Commission were in favour of adopting the gold standard. At this time, most fortunately, a way was opened for securing a large gold reserve necessary for adopting the gold standard through the receipt of a large Chinese indemnity—230,000,000 taels—as a result of the Chino-Japanese War of 1894-95.

SECTION II.

Receipt of the Chinese indemnity and enactment of the coinage law.

The indemnity money received by the Imperial Government from China as a result of the war of 1894-95 was altogether 230,000,000 taels,—the payment of this indemnity being based on the terms of the treaty of peace signed at Shimonoseki on April 17th, 1895, and of the convention for the retrocession of the Liao-tung Peninsula signed on November 8th of the same year. Now, although according to the terms of these agreements, the amounts of the Indemnity specified were to be paid in *Kuping taels*, yet actually there existed no such coin as the *Kuping tael*; and what was meant by specifying that standard name was merely to denote the amount of the

indemnity in terms of the official standard of weight in China. At the time when Japan was to receive the indemnity, the price of silver in the chief markets of the world was daily depreciating and its future prospects were exceedingly uncertain. For this reason, as well as for the reason that it would be well for Japan to adopt sooner or later the gold standard, it was regarded as more advantageous by Count Matsukata, who succeeded Mr. Watanabe as Finance Minister, to make arrangement for receiving the Chinese indemnity in pounds sterling instead of taels. On this suggestion being adopted by the Cabinet, the negotiations were successfully concluded with the Chinese Government for the payment of the indemnity in terms of the English coin, by reducing at the beginning the entire indemnity specified in terms of *Kuping taels* into those of pounds sterling. The way was thus opened for creating the gold reserve needed for the adoption of the gold standard.

On Count Matsukata's resuming the post of the Finance Minister in September, 1896, after retiring to private life for a short time, he had every preparation made for the inauguration of the gold standard, and in March, 1897, a bill on the coinage law was presented to the Imperial Diet, which was passed and promulgated as law on the 29th day of the same month. The new system went into force on the 1st day of October, 1897.

SECTION III.

The minting of the new coins and the withdrawal from circulation of 1-yen silver coins.

With the promulgation of the Coinage Law in March, 1897, the Finance Minister, Count Matsukata, took steps

to purchase gold bullion by utilizing a portion of the Chinese indemnity. But in order to avoid disturbing the money market, and causing loss to the State Treasury, the purchase of gold was made not all at once but in portions,—sometimes purchasing gold bullion or sometimes sending home English coins,—taking every advantage of the changing condition of the money market. The gold thus sent home was at once transferred to the Mint to be minted into coins, with all possible dispatch, so that before the day the Coinage Law went into operation, i. e. September 30th, 1897, there had been turned out from the Mint 49,587,160 *yen* of the new gold coins, and further, by April, 1898, 24,868,575 *yen* more, making altogether 74,455,735 *yen*. These were all devoted toward making the exchange of 1-*yen* silver coins. The exchange was commenced in October, 1897, and concluded on July 31st, 1898. The amount of 1-*yen* silver coins exchanged on demand for gold coins as well as those exchanged at the Treasury after 1-*yen* silver coins had been received for taxes and other public payments amounted altogether to 45,588,369 *yen*. Besides this amount of 1-*yen* silver coins withdrawn from circulation, the amount of the promissory notes of the Mint to pay coins which had been issued in exchange for silver bullion deposited at the Mint to be coined into 1-*yen* coins stood at 29,505,453 *yen*, which were also exchanged for gold coins according to Article XVI of the Coinage Law. The total of silver 1-*yen* coins and bullion, corresponding to the amount of the promissory notes of the Mint now withdrawn from circulation, amounted to the gross sum of 75,093,822 *yen*. The account of the entire amount of 1-*yen* silver coins issued from the very beginning is as follows:—

Melted at the Mint	460,904. ^{yen} 000
Net export abroad	99,508,740.000

On September 30th, 1897, the net export stood at 110,355,205 *yen*, but between that date and July 31st, 1898, 10,846,465 *yen* were brought back in order to get them exchanged for gold coins; hence the amount mentioned in the statement.

Transferred into Korea, China, &c., in connection with the War of 1894-95	11,028,633.000
Disbursed in Formosa after the cession of the island and never brought in for exchange . .	5,732,027.000
Withdrawn from circulation by being exchanged for gold coins	45,588,369.000

Items under the above:—

Directly exchanged for gold coins at home	27,801,832. ^{yen} 000
Brought back from abroad and exchanged	10,846,465.000
Received at home for taxes and other public payments	3,977,099.000
Received in Formosa for taxes and other public payments	2,362,973.000
The part existing at home which was never brought in for exchange	2,815,037.000
Total, the entire amount of 1- <i>yen</i> silver coins issued	165,133,710.000

Beside the above:—

Promissory notes of the Mint to pay coins in exchange, at March 31st 1897, and withdrawn from circulation . . .	29,505,453.042
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Although according to the above statement about 2,810,000 *yen* of 1-*yen* silver coins appear to remain in

the country yet unexchanged in the country; it appears, however, that they are no longer actually in the country as no report of their presence has been received since the expiration of the time fixed for exchange. Most likely these coins have been lost or injured or carried away by foreign visitors.

It must be remembered, however, that, though the reform of coinage was effected by minting gold coins with the gold bullion belonging to the Chinese indemnity, the amount thus employed for the creation of the gold reserve was not permanently spent, but merely borrowed for a time from the Chinese indemnity special *comptabilité*. The gold bullion belonging to the indemnity which was thus utilized was after all paid back with the gold coins obtained by selling as bullion 1-yen silver coins. The whole transaction will be more fully stated in Chapter IV, which treats of the disposal of the Chinese indemnity.

Since the 1-yen silver coins which had been exported abroad before the enactment of the Coinage Law amounted to more than 100,000,000 yen, it was much feared in many quarters that the amount brought back for exchange would be large and that the Treasury would have to bear no small loss from the exchange. Count Matsukata, however, had very careful researches made as to the condition of circulation of 1-yen silver coins in Shanghai, Hongkong, the Straits Settlements, &c., &c., and as a result of those researches the probable amount which would be brought back was put at about 10,000,000 yen. It is gratifying that this estimate was not far from truth; for the coins actually brought back amounted to 10,846,465 yen, so that the loss to the Treasury was not as large as was feared in certain quarters.

About the time the Coinage Law went into operation, the Government prohibited the circulation of 1-*yen* silver coins on and after April 1st, 1898, by Imperial Ordinance No. CCCXXXVIII, while according to the provisions of the Coinage Law these coins were to be exchanged for gold coins by the Government for five years from the date their circulation was prohibited. Now from the way their exchange and retirement took place, there seemed to be no need of maintaining the five year period; but, owing to fluctuations in the price of silver, there was no little fear that under certain circumstances counterfeit coins might be brought in for exchange and cause much loss to the Government. The Finance Minister, Count Matsukata, proposed to the Cabinet council at the close of the year, 1897, to draw up a bill for the law shortening the period allowed for exchange of 1-*yen* silver coins after they were prohibited from circulation. Yet owing to the dissolution of the Diet and the resignation of the Cabinet, that proposal was not realized. Count Inouye who succeeded Count Matsukata as Finance Minister, however, concurred in the same view and the draft of a law for cutting short the five year period was presented to the Imperial Diet and, being passed, was promulgated in June 10th, 1898. According to the provisions of this law, 1-*yen* silver coins were to be exchanged till July 31st, 1898, but not after that date. On the other hand, the Government took every precaution during the ten months intervening between the going into operation of the Coinage Law and July 31st, 1898, to expedite the process of exchange, — the central Government Treasury and 447 treasuries and sub-treasuries throughout the country as well as the Yokohama Specie Bank and its Kobe branch office, as agencies of the Bank of Japan, being charged with the business of

exchange. To simplify the matter, the Government granted the special privilege of making the taxes and other public payments in 1-*yen* silver coins after they were prohibited from circulation. It may be said that the whole process of exchange was thus completed without a single drawback.

SECTION IV.

The disposal of 1-*yen* silver coins withdrawn from circulation and the increased issue of subsidiary silver coins.

The disposal of the 1-*yen* silver coins and of the silver bullion in the mint, corresponding to the promissory notes of the mint now withdrawn from circulation,—amounting altogether to the sum of 75,093,822 *yen*,—was finally completed in December, 1898, one year and three months after the going into operation of the Coinage Law. The coins were disposed of as follows: 27,567,012 *yen* were set apart as material for minting subsidiary silver coins in the years between 1897-98 and 1899-1900, inclusive; 40,786,662 *yen* were sold at Shanghai, Hongkong, &c.; 6,740,148 *yen* were transferred to Formosa, Korea, &c., and placed in circulation at current valuation. It might be remarked that if the disposal of these silver coins were not made with sufficient dispatch, the Government, which kept so large a quantity of silver, would probably have suffered no small loss on account of depreciation or incurred much inconvenience in the employment of funds in the Treasury. On the other hand, however, if the disposal were made too hurriedly, it might have led to the further depreciation of the price of silver. For these reasons, the Government paid the closest attention to

changes in the money market and took steps to sell the silver now accumulated in the Treasury as speedily and as advantageously as the circumstances would allow. When the demand for silver increased and its price rose on account of the stringency of the money market in the southern portions of China, and on account of the breaking out of the war between the United States of America and Spain, the Government seized the opportunity to sell, so that, with the loss of but 7 per cent., instead of more than 10 per cent. as was at first expected, the sale was completed in the short space of about one year. The rate of the price which the sale commanded was even higher than the average rate of the current price of silver in London. The loss sustained by the Treasury on account of the disposal of the retired silver *yen* amounted to 5,397,581 *yen*, and the expenses connected with the process of making the disposal amounted to 155,731 *yen*, making the total of 5,553,112 *yen*. This latter sum was made good by the factory profits of the mint, amounting to 5,651,961 *yen*, which were more than sufficient to cover the losses and expenses connected with the disposal of 1-*yen* silver coins.

Count Matsukata had long realized the need of supplying hard money for use in the daily small transactions of the people, in order to strengthen the foundations of the coinage system. In making the adjustment of the paper currency, Count Matsukata, as Finance Minister, adopted the policy of issuing subsidiary silver coins of the denominations of 20 *sen* and 10 *sen*, in exchange for the notes below fifty *sen*; and 10 *sen* notes were forbidden to circulate after June 30th, 1887, and other notes such as the 50 *sen* and 20 *sen* also are now becoming greatly reduced through exchange for the successive issues of subsidiary silver coins. The 1-*yen* convertible notes of the Bank of

Japan, which amounted to about 66,000,000 *yen* at the time of the Coinage Reform, were then being largely used in the daily small transactions. And since such use of the paper money was not desirable for the secure establishment of the coinage system, the Government gave order to the Bank of Japan to take steps to withdraw those notes from circulation. The gap thus created in the currency of the country was to be supplied partly by issuing notes, from 5 *yen* upward, but the larger part was to be supplied by issuing subsidiary silver coins. With the latter object in view, a scheme was now adopted of coining about 40,000,000 *yen* of subsidiary silver pieces. Now if to this amount is added the amount of subsidiary coins which had been already issued, the total of the subsidiary coins would amount to about 81,820,000 *yen*, or 2 *yen* per head of the population of the country. It would seem that in the present economic condition of the country such a ratio between the subsidiary coins and the population was about right, when compared with the condition of things in other countries. The plan, therefore, of making the increased issue of subsidiary coins has been steadily carried out and, already by December, 1899, 30,675,000 *yen* had been coined, which are now being placed in circulation in proportion to the retirement of 1-*yen* convertible notes.

SECTION V.

Prospect of future supply for the gold reserve.

In March, 1897, when the Coinage Law was enacted, there were some who had grave fears that the maintenance of the necessary gold reserve would not be possible owing to the smallness of the native product of

gold. At that time Count Matsukata explained that by taking proper measures it would not be difficult for the Government to secure the necessary supply of gold from China, Korea, Australia, &c. It is indeed true that the question of gold supply constitutes the most vital point in the successful working of the gold standard system. After the adoption of the gold standard, therefore, the Government took all possible measures for absorbing gold and is now in position to report concerning the results of its endeavours. It will indeed be seen by comparing the quantity of gold coins and bullion imported during 1899 (January–December inclusive), i. e., 20,080,697 *yen*, with the corresponding quantity during the previous year, i. e., 37,027,753 *yen*, that there was a reduction of 16,947,056 *yen* in the amount of gold imported to this country in 1899, as compared with the import of the previous year. But, before making up our mind as to our conclusion, we will do well to examine the different quantities imported and the respective countries from which those quantities came. The following table will give the desired particulars :—

Places of shipments.	1899 (Jan.—Dec. inclusive).	1898 (Jan.—Dec. inclusive).	Balance showing the increase or decrease.
	<i>yen</i>	<i>yen</i>	<i>yen</i>
China	8,240,386	116,455	8,123,931
Korea	2,438,253	1,062,682	1,375,571
Hong Kong	1,112,084	31,371	1,080,713
Philippine Islands	932,790	0	932,790
England	7,229,379	35,759,157	† 28,529,778
Other countries	127,805	58,088	69,717
Total	20,080,697	37,027,753	† 16,947,056

† Shows decrease.

The study of the foregoing table will show that the main cause of the decrease in the import of gold in 1899 from that of the previous year lies in the fact of the decrease of the import from England, that is to say, the

decrease in the amount of the Chinese indemnity sent home. If we leave this item of import from England aside and consider other items, we shall see that the imports under different heads have all considerably increased. This increase means that the course of shipment which had before been toward Europe has been since considerably deflected toward this country. This result has been attained not without effort; Count Matsukata, realizing the necessity of absorbing gold, ordered the Bank of Japan to take steps for expanding the exchange services of the banks in correspondence with it by utilizing its reserve capacity of issuing convertible bank notes and, in other ways, to accommodate them, e. g., by the loan of funds,—thus opening the way through these operations for absorbing gold produced in neighbouring countries. If this line of policy is further carried out and attempts made to absorb the gold produced in neighbouring countries, I have no doubt that the Government will be able to secure in future the gold supply needed for keeping up the necessary gold reserve. On the other hand, however, it will be needful to pay very close attention to the state of the money market at home which may lead to the exodus of specie. The following table will show the exports of gold during the year 1899:—

Months.	To China.	To Korea.	To Hong- kong.	To Philip- pine Is.	To England.	To British India.	To Other countries.	Total.
	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>	<i>yen</i>
January	6,630	0	0	0	0	0	0	6,630
February	0	0	80,000	0	0	0	0	80,000
March	8,288	0	20,000	0	0	0	0	28,288
April	15,563	0	0	0	0	0	12,056	27,619
May	6,740	0	0	0	0	0	5,151	11,891
June	2,959	0	0	0	0	0	4,020	6,979
July	2,405	0	0	0	0	0	6,560	8,965
August	7,896	0	0	0	0	0	1,404	9,300
September ..	10,777	0	0	0	500	405,583	500,000	916,860
October	25,972	0	335,000	0	0	2,663,512	0	3,024,484
November ..	8,505	0	330,000	0	0	2,701,534	502,237	3,542,276
December....	7,245	0	250,000	0	0	845,939	1,800	1,105,074
Total	102,980	0	1,015,000	0	500	6,610,568	1,033,318	8,768,266

It will be noted that the main part of the gold exodus in the above table occurred after September, 1899, and that 6,616,568 *yen* went to India. The reason for this latter fact is not difficult to discover. It is owing to the fact that the Indian Government was trying hard to absorb gold in view of the coming of the time for practically carrying out the project of adopting the gold standard which had been maturing for so many years, as well as to the fact that Japan's trade with India was such that we stood in the position of payers for the excess of the imports from India over our exports; and lastly, the rate of indirect exchange between India and Japan was such that we stood in a position of disadvantage, resulting in the export of gold to that country. The Finance Minister, Count Matsukata, now adopted proper measures to prevent the exportation of gold; and the returns for December showed that he has not been entirely unsuccessful.

That the condition of the import and export of gold will have to receive the increasing attention of the Government, as bearing an intimate relation to the maintenance of the gold reserve, is one of the inevitable results of adopting the gold standard.

SECTION VI.

Effects of the coinage reform upon the financial
and economic conditions of the country.

With the going into operation of the Coinage Law in October, 1897, and the completion of disposal of the retired 1-*yen* silver coins in December, 1898, Japan became a purely gold standard country. But since this reform of the coinage had in view the far-reaching object of

laying the permanent financial and economic foundations of the country, it is impossible in the one or two years which have elapsed since the change to give a definite judgment as to its results. Besides, the country is now suffering from a depression of industry and a stringency of the money market as the result of an extraordinary expansion of industrial enterprise through the influence of the War of 1894-95, while the poor rice crops and the going into operation of the new Customs Regulations, &c., are other incidents which must also be taken into consideration. It is therefore exceedingly difficult to give a clear opinion concerning the effects of the coinage reform. But, on the other hand, we are not without indications to show that some of the ends aimed at have been already attained. For instance, since the enforcement of the Coinage Law, the standard coinage of the country has ceased to be always changing in value, and the prices also, being freed from the effect of fluctuations in the value of coinage, have ceased to change, except in accordance with the economic law of supply and demand. For these reasons, the commercial and industrial enterprises have come to make an orderly and healthy development; the trade of the country with the gold standard countries, which comprises the larger part of our entire foreign trade, has also begun to make a healthy growth, being freed from sudden fluctuations in the foreign exchange. Now as to the last mentioned item, the fluctuations of the exchange rate are exceedingly slight,—the rate of exchange on London since October, 1897, running simply between $2s0.1250d$ and $2s0.8125d$. As to the trade with the silver standard countries, there indeed existed grave fears in some quarters that the country might come to occupy a position of much disadvantage. Yet the results thus far

do not seem to justify those fears, there being on the whole considerable increase in our foreign trade with those countries. The exports to the latter steadily increased from about 54,200,000 *yen* in 1897 to about 69,080,000 *yen* in 1898 and again to about 85,200,000 *yen* in 1899. In regard to the imports from the gold countries, the amount rose from about 65,450,000 *yen* in 1897 to about 77,170,000 in 1898; and though it came up to but about 53,210,000 *yen* in 1899, the reduction may be easily accounted for by the temporary cessation of the importation of rice owing to the rich rice crops at home for this and the previous year, and by the reduction of imported manure owing to the rich fishery yield in Hokkaido, as well as by the especially large importations in 1898 to take advantage of the old tariff rates, before the going into effect of the new tariff regulations. It is consequently natural to conclude that the reduction of imports for 1899 can not be charged to the effect of the coinage reform.

One result of the reform which needs especial notice, is the fact that as the result of the adoption of the gold standard a closer relationship has been established between the money market here and the money market abroad. It is evident that a tendency has already set in to invest in this country at a low rate of interest capital from gold standard foreign countries, thus supplying the lack of capital in the country and giving a powerful stimulus to the development of industry. It may be regarded as a happy omen that the Government was able to raise recently a foreign loan of £ 10,000,000 in London at 4 per cent. interest.

SECTION VII.

The coinage system of Formosa.

Since the trade of Formosa with the silver standard continental nations opposite comprised nine tenths of its total foreign trade and, further, as it was exceedingly difficult to change all at once the customs and practices of the natives of the islands, it was decided to wait for some future opportunity to enforce the Coinage Law in that island; and the Government now adopted an expedient of permitting the circulation in Formosa of 1-*yen* silver coins at current value. Although the gold standard will be introduced at some future time, yet for the present the Government felt compelled to be satisfied with the temporary expedient as just mentioned.

CHAPTER II.

THE ADJUSTMENT OF THE GOVERNMENT PAPER MONEY.

In pursuance of the Government policy as sketched in the report of Count Matsukata, Finance Minister, dated October, 1890, the circulation of the Government paper money was prohibited after December, 1899. Thus was completed the adjustment of all kinds of paper money issued by the Government. The particulars are as follows:—The entire amount of the paper money issued by the Government since the early years of the *Meiji* era was *yen* 123,235,597.526, of which the amount either redeemed or whose period of exchange expired by the last day of January, 1900, was *yen* 120,053,619.526; so that the amount still in existence, though prohibited from circulation, which yet the Government is pledged to redeem within the period of five years, is 3,181,978 *yen*. Since the fund needed for the redemption of the latter amount is kept in the Government treasuries throughout the country, the notes may be exchanged on demand at any time before the expiration of five years.

On the revision of the paper money redemption special *comptabilité* law, in 1890, by Law No. LVI, the sum of 32,000,000 *yen* was allotted toward the exchange of paper money of 1-*yen* and upward, by borrowing 22,000,000 *yen* from the Bank of Japan and transferring 10,000,000 *yen* from the Reserve Fund; and, again, the sum of *yen* 7,705,311.750 was set aside for the exchange of the notes below 50 *sen*, by transferring that sum from the General Account during the period between 1890-91 and 1897-98 inclusive. The total redemption fund, therefore, amounted to *yen* 39,705,311.750. By pursuing the

policy thus adopted, the Government was able, with the fund thus set aside, to redeem before the last day of January, 1900, altogether *yen* 36,523,331.550, of which *yen* 29,787,079.500 consisted of notes of 1-*yen* or upward, and *yen* 6,736,252.050 consisted of notes of 50 *sen* or below. The amount of the paper money redemption fund yet remaining was *yen* 3,181,980.200. But since the amount of the Government paper money which ceased to circulate on account of fraudulent alterations as well as on account of the expiration of the period allowed for exchange, amounting altogether to *yen* 359,946.350, was added to the amount redeemed as mentioned above—both items together making the sum of *yen* 36,883,277.900—and the latter sum was deducted from the sum of *yen* 40,065,255,900, the amount of the Government paper money in circulation in the beginning of the year, 1890, we get the sum of 3,181,978 *yen* as the amount in circulation at present, which may be redeemed any time with the remnant of the paper money redemption fund.

When in the year 1897-98, the transference of the fund from the General Account to the paper money redemption fund was completed, Count Inouye, the Finance Minister at that time, brought before the Imperial Diet a bill for the law for prohibiting the circulation of the Government paper money after December 31st, 1899. That bill being passed in the Diet was promulgated as Law No. VI, of 1898. The period allowed for the exchange of the Government paper money after it was prohibited from circulation was fixed at five years.

The particulars relating to the 10-*sen* notes issued by the Government are as follows:—The 10-*sen* notes were prohibited to circulate after June 30th, 1887, by Imperial Ordinance No. L, of 1886, but on February 28th, 1890,

by Law No. XIII, the period allowed for its exchange was fixed at three years from the above mentioned date, so that the withdrawal of 10-*sen* notes was entirely completed by February 27th, 1893. Now the entire amount of 10-*sen* notes issued by the Government was *yen* 11,698,415.800. Of this total the amount exchanged for other kinds of paper money and retired was *yen* 5,989,556.550; the amount withdrawn from circulation through liquidation was *yen* 702,262.750; the amount exchanged for the public loan bonds was *yen* 151,010.000; the amount retired by exchange for silver coins was *yen* 4,494,665.700; and the amount withdrawn from circulation on account of fraudulent alterations was *yen* 1,073.850; thus making the total amount withdrawn from circulation *yen* 11,338,568.850. If this amount is deducted from the entire amount of 10-*sen* notes issued by the Government, i. e., *yen* 11,698,415.800, there remains the sum of *yen* 359,846.950, which may be put down as the amount lost. This lost amount when compared with the entire amount issued forms 3.07 per cent.

Thus was completed the retirement of 10-*sen* notes, and since the other notes issued by the Government were prohibited from circulation after December, 1899, the entire retirement of the Government paper money will be completed five years hence.

CHAPTER III.

THE ISSUING OF PUBLIC LOANS.

The issuing of the public loans determined upon in 1896, i. e., the public works loan and the Hokkaido railway loan, and of the railway loan which had been determined upon in 1892, amounted altogether to 262,398,343 *yen*.^{*} Out of this immense amount, 56,807,350 *yen* were issued before 1897-98, but the part which could be actually raised in the market was but 2,000,000 *yen*, the rest of 54,807,350 *yen* being subscribed for with the deposited fund at the Finance Department and the Chinese indemnity. The part which was to be issued in 1898-99 and 1899-1900 amounted to the large sum of 100,258,879 *yen*; and if this amount could not be raised, the Government would have had to cease to carry out the various important programmes already determined upon. On Count Matsukata's being entrusted with the portfolio of finance at this juncture, he had to give up all hope of issuing this loan at home on account of the unfavourable condition of the money market and found no other course left to him but to raise the loan abroad. The plan of issuing the loan in the foreign market being decided upon by the Government, in January, 1899, the necessary preparatory measures were taken and the Imperial Sanction was obtained, and in June, 1899, the foreign loan of 10,000,000 pounds sterling, equal to about 100,000,000 *yen*, was issued in London. The Government was enabled in this way to carry out the various enterprises and measures already commenced. The particulars about the floating of this foreign loan are fully given in Count

^{*}This includes the amounts increased in the annual budgets after the promulgation of the laws for the issuing of these loans.

Matsukata's report on the subject presented to Marquis Yamagata, Prime Minister, which was dated October 21st, 1899. There yet remain parts of the three loans above mentioned which are to be raised in 1890-01 and afterward,—amounting altogether to 107,960,993 *yen*. It will be no easy matter to issue this large amount of loan in the home market, yet the public loans redemption fund set apart in the annual budget may be utilized as well as the deposited fund at the Finance Department, and the rest issued in the market. Great pains and care will be needed to carry out the scheme, but the plan seems to be a feasible one. It may be said that, with the raising of the large foreign loan in London as mentioned above, a very difficult stage has been passed in the carrying out of the public loans programme.

SECTION I.

The scheme of issuing public loans before 1898-99.

In the scheme of issuing public loans for meeting the various enterprises undertaken as *post-bellum* measures, the parts which were to be issued at the close of 1897-98 were as follows: the amount of the public works loan to be issued according to the Public Works Loan Regulations, Law No. LIX, of 1896, was 148,991,834 *yen*, including also the increased amounts according to the budgets after the promulgation of that law; the amount of the Hokkaido railway loan to be issued according to the Hokkaido Railway Loan Regulations, Law No. LXXX XIII, of 1896, was 18,562,050 *yen*, being only those portions of the loan whose modes of disbursement have already been decided upon (the total amount of the loan

fixed by the regulations being 33,000,000 *yen*). To these two items must be added the third item, namely, the railway loan of 94,844,459 *yen* (which include the increased amounts of the loan decided upon in the budget estimates), now issued according to the provisions of the Railway Construction Law, Law No. IV, of 1892. The three items together make up the total sum of the public loans now to be issued, i. e., 262,398,343 *yen*. But, through various causes such as the issuing of the war loan during the War time and the great increase of industrial undertakings after the restoration of peace, much stringency came now to prevail in the money market at home; so much so that out of the total sum of 56,807,350 *yen* of the above mentioned three loans issued before 1897-98, only the sum of 2,000,000 *yen* of the railway loan issued in 1893 was really raised in the money market, the remaining portions amounting to 54,807,350 *yen* being met by utilizing for the purpose the deposited fund at the Finance Department and the Chinese indemnity fund.

The amount of the public loan to be issued in 1898-99, according to the estimates previously made, was 79,292,028 *yen*. But the money market was in a very unfavourable condition, the stringency having grown greater on account of the poor rice crops in 1896 and 1897. As there was no hope of raising this loan at home, Count Inouye, who was the Finance Minister at that time, determined to adopt a plan of postponing to the next and following years the disbursement of 8,637,989 *yen* which was intended to be met by the proceeds of this loan, and to meet the rest of the disbursements intended to be covered by the public loan—i. e., 70,654,039 *yen*—by temporarily utilizing the Chinese indemnity, which was in turn to be made good by raising the public loan in the foreign market at some-

favourable time in the future. The Government intended to draw up a bill for the law embodying the above plan and present it to the Diet convened in the Summer of 1898, but the dissolution of that Diet and the subsequent resignation of the Cabinet prevented the plan from being realized. On Count Matsukata's appointment as Finance Minister in place of Count Inouye, as the year was already half gone and no time left for the floating of a foreign loan, the plan left unrealized by his predecessor of temporarily utilizing the Chinese indemnity was taken up, and a bill embodying the measure was presented to the Diet at its 13th session. The bill was passed and promulgated as Law No. VIII, in February, 1899.

SECTION II.

Issuing of foreign loans.

In consequence of the postponement of issuing public loans in 1898-99, the Government stood confronted in 1899-1900 with the problem of providing for the following amounts of revenue: 70,654,039 *yen*, in order to pay back the money temporarily transferred from the Chinese indemnity; 8,637,989 *yen*, being that part of the loan to be issued in 1898-99, but postponed to the present fiscal year; and 20,966,851 *yen* being the amount of the public loan intended to be issued in the present year; these three items together making the sum of 10,258,879 *yen*, to be provided for by means of public loans. But the stringency of the money market at home still remained unrelieved and there was no prospect of successfully issuing so large a loan at home. Count Matsukata, the Finance Minister at the time, felt compelled to resort to a foreign loan, and,

with the consent of the Cabinet, had a bill for the law authorizing the issuing of a foreign loan, presented to the Diet at its 13th session; the bill was passed in the Diet and promulgated as Law No. CI of 1899.

Now in order to raise a foreign loan, it is necessary to make provisions for making payments abroad for the principal and interest on the loan. After a careful consideration of the actual financial condition of the country, the Finance Minister came to the conclusion that, by revising the rates of customs duties, now made possible on account of the revision of the treaties with the Western nations, the Government would be able to secure the increased revenue of about 10,000,000 *yen* annually after the year 1899–1900. This amount of increased revenue would be amply sufficient to cover the principal and interest on the foreign loan of about one hundred fifty millions of *yen*. It will therefore be possible with this increased revenue first to provide for the payments to be made on account of the war loan of 43,000,000 *yen*, already issued, (but for making those payments mentioned above no provision being yet made); and then, further, to cover the payments to be made for the principal and interest on the foreign loan, now to be issued, of 100,000,000 *yen*. The issuing of a foreign loan, according to the plan just sketched, was decided upon in the Cabinet Council and sanctioned by the Emperor, and after various negotiations a contract was concluded with a syndicate formed for the purpose on June 1st, 1899, for the loan of 10,000,000 pounds sterling. The main points in this contract were as follows: the face value of the loan was to be £ 10,000,000 and the interest to be at the rate of 4 per cent. per annum; the value at which the loan was issued was to be £ 90 per £ 100, besides which the syndicate was to draw a fee of 4 per cent. on

the face value ; the actual receipt of the Government would be, therefore, £ 86 per £ 100 of the face value ; the principal of the loan was to remain unredeemed for ten years beginning with January 1st, 1899, and might be redeemed any time at the convenience of the Government during the period of forty five years after the expiration of the first ten years ; and there was to be, besides these, no condition whatever either in the form of mortgage or guaranty.

The syndicate made public the prospectus of the loan on June 2nd, 1899, and closed the subscriptions on June 6th in the case of London and June 7th in the case of other places. The syndicate paid the promised £ 8,600,000 to the Government, in several installments between the close of subscriptions and October 18th, 1899.

It will be noted at once that between the face value of the loan and the actual receipt from it, i. e., £ 8,600,000, there is a large discrepancy of £ 1,400,000, equal to about 14,000,000 *yen*, and that this must be charged to the loss of the Government. But since the public loan hitherto issued at home bore as a rule the interest of 5 per cent. per annum and the present foreign loan was issued at the interest of 4 per cent. per annum, this difference in the rate of interest will save the Government about £ 100,000, or 1,000,000 *yen*, a year ; so that the above-mentioned 14,000,000 *yen* will be made up in fourteen years' time. If now we suppose that the present loan will be redeemed in twenty five years after the first ten year period has expired, that will be equal to the loan's standing unredeemed for thirty five years after it was issued and the Government's gain on account of the lower rate of interest will amount to £ 3,500,000, or 35,000,000 *yen*. Thus there will yet remain after deducting 14,000,000 *yen*, i. e., the Government's loss in the first year, the sum of £ 2,100,000 or

21,000,000 *yen*, as the Government's gain from the present transaction.

The foreign loan was thus issued and the money thus obtained was disbursed for the various intended objects of enterprise, which enabled the Government to carry out the *post-bellum* programme without interruption; at the same time the amount temporarily transferred from the Chinese indemnity was refunded, so that all the disbursements from the Chinese indemnity special *comptabilité* were made, as had been specified, without a single drawback.

SECTION III.

The prospect of further issuing public loans.

As was stated at the beginning of the present chapter the total amount of the public loans to be issued, as already decided upon before the 14th session of the Diet, was 262,398,343 *yen*, in three kinds as mentioned in the preceding section. Of this total, the amount issued at home before 1897-98 was 56,807,350 *yen* and the amount issued in London in June, 1899, was £ 10,000,000 or 97,630,000 *yen*;—these two items make the total of 154,437,350 *yen*, which being deducted from the entire amount decided upon to be issued leaves the balance of 107,960,993 *yen*, to be issued in the future. It is the intention of the Government to issue this latter amount all in the home market. Now as to its method: it is estimated that there will hereafter be regularly set aside in the budget of each year from 7 or 8 million *yen* to 10,000,000 *yen* for covering the charges on the public loans, so that the funds thus set aside as well as the deposited funds at the Finance Department may be employed in subscribing for these new loans; and then, the rest of the amount, which is not large,

may easily be raised in the money market at home; so that the entire remaining portion of the public loans to be yet issued would be raised without resorting to the foreign money market at all. Only, it will be necessary to use the greatest precaution in the receipts and disbursements as well as in the employment of the public money, in order that no hitch may occur in making the necessary disbursements out of the proceeds from the loan.

Besides the above mentioned amount of the public loan to be issued, there exist two other items of the loan to be issued after 1899. They are the Formosan public works loan of 35,000,000 *yen* and the pensions adjustment loan of 10,000,000 *yen*. Since, however, the former loan is to be issued, owing to its very nature, in Formosa and the neighbouring regions in China, and the latter loan will consist of merely delivering public loan bonds to the claimants, these two items will not in the least absorb money from the market at home.

While in these different ways, the loans decided upon to be hereafter issued will probably be all raised at home, yet it is to be greatly desired, since the home market seems to have reached its utmost capacity to respond to public loans, that the Government will cease for some time to come to look to any more new loans for undertaking new enterprises. Of course, the issuing of foreign loans is not entirely hopeless, yet here also the conditions are not very favourable on account of the prevailing stringency in the money market abroad and of the sudden changes which are constantly taking place. There is no doubt that, for some years at least, it will be difficult to raise a foreign loan. And though after some years the foreign money market may present more favourable conditions for the issuing of a loan, yet to issue an excessive

amount of foreign loans is a thing that needs to be most seriously cautioned against. On these points, a fuller statement will be found in Count Matsukata's report on the particulars relating to the issuing of foreign loans, dated October 21st, 1899.

SECTION IV.

Issuing of public loans; receipt and disbursement of funds obtained by public loans; and statement concerning the unredeemed portions of public loans.

The particulars relating to the issuing of public loans in the past and the prospect of further issuing public loans were stated in the foregoing sections. The following tables are herewith subjoined in order to show the general account of the issuing of the three public loans mentioned above and the receipts and disbursements of funds obtained by public loans, as well as the amounts issued, redeemed and unredeemed of all the public loans (temporary loans being excepted) since 1870, when the foreign loan bearing 9 per cent. interest was first issued.

ACCOUNT OF THE PUBLIC WORKS LOAN, THE RAILWAY LOAN, AND OF THE HOKKAIDO
RAILWAY LOAN ON FEBRUARY 23RD. 1900.

Kinds of public loan.	Items of expenditures.	Estimated amounts	Amounts already	Amounts yet to be
		of loans to be issued. <i>yen</i>	issued. <i>yen</i>	issued. <i>yen</i>
Public works loan	Military expansion	18,459,484 000	17,619,184 000	840,300 000
	Naval expansion	58,999,423 000	56,610,673 000	2,388,750 000
	Iron foundry	18,622,932 000	5,276,204 000	13,346,728 000
	Railway construction between Sorachibuto & Asahigawa	1,178,331 000	1,178,331 000	0
	Leaf-tobacco monopoly offices and funds	12,213,550 000	12,213,550 000	0
	Extension of the telephone service	12,802,107 000	7,591,214 000	5,210,893 000
	Improvement of the Government railways	26,553,000 000	15,300,000 000	11,253,000 000
	Interest on public loans for the first year	163,007 000	163,007 000	0
	Increased issue of loans for filling up the face value	0	87 000	† 87 000
	Total	148,991,834 000	115,952,250 000	33,039,584 000
Railway loan	Railway construction	94,844,459 000	85,485,100 000	59,359,359 000
Hokkaido railway loan	Hokkaido railway construction	18,562,050 000	3,000,000 000	15,562,050 000
	Grand total	262,398,343 000	154,437,350 000	107,960,993 000

Note :—The figures marked † show the excess amount raised beyond the amount already fixed in order to fill up the face value of the loan.

RECEIPTS AND DISBURSEMENTS OF THE PUBLIC WORKS LOAN, THE RAILWAY LOAN AND
THE HOKKAIDO RAILWAY LOAN. (Account on January 31st, 1900).

Kinds of public loan.	Items of expenditures.	Receipts from loans.	Expenditures.	Expenditures yet to be made.
Public works loan	Military expansion		13,667,496 565	yen 12,084,030 628
	Naval expansion		43,454,853 564	
	Iron-foundry		4,952,065 013	
	Railway construction between Sorachibuto & Asahigawa	102,938,529 467	1,176,700 630	
	Leaf-tobacco monopoly offices and funds		9,205,845 915	
	Extension of the telephone service		6,011,307 308	
Hokkaido railway loan	Improvement of the Government railways		11,917,348 898	+ 225,401 596
	Expenses connected with the issuing of loans		468,880 946	
	Total	102,938,529 467	90,854,498 839	
	Hokkaido railway construction		2,835,392 361	
	Expenses connected with issuing the loans	2,622,005 306	12,014 541	
Railway loan	Total	2,622,005 306	2,847,406 902	1,501,814 373
	Railway construction		31,043,918 650	
	Expenses connected with issuing the loans	32,651,327 314	105,594 291	
	Total	32,651,327 314	31,149,512 941	
	Grand total	138,211,862 087	124,851,418 682	
				13,360,443 405

Note :—The figures marked thus † show the amount of excess of the disbursement over the receipt.

AMOUNTS OF PUBLIC LOANS ISSUED, REDEEMED AND UNREDEEMED.
(Account on December 31st, 1899).

	Kinds of public loan.	Amounts issued.		Amounts re-deemed.		Amounts un-redeemed.	
		yen		yen		yen	
Loan contracted for introducing changes in institutions.	Foreign loan, bearing 7 per cent. interest	11,712,000 000		11,712,000 000		0	
	New public loan	12,422,825 000		12,422,825 000		0	
	Old public loan	10,972,725 000		6,144,723 000		4,827,999 000	
	Voluntarily capitalized pension bonds	16,565,850 000		16,565,850 000		0	
	Pro-rata pension bonds	173,902,900 000		148,474,250 000		25,428,650 000	
	Pro-rata pension bonds for former "Shinto" priests	334,050 000		334,050 000		0	
	Total	225,910,350 000		195,653,701 000		30,256,649 000	
Loans contracted for developing industry	Foreign loan, bearing 9 per cent. interest	4,880,000 000		4,880,000 000		0	
	Industrial works loan	12,500,000 000		12,500,000 000		0	
	Nakasendo railway loan	20,000,000 000		20,000,000 000		0	
	Auxiliary railway loan	2,000,000 000		2,000,000 000		0	
	Railway public loan	35,485,100 000		0		35,485,100 000	
	Public works loan	115,952,250 000		0		115,952,250 000	
	Hokkaido railway loan	3,000,000 000		0		3,000,000 000	
Loans contracted for war purposes	Total	193,817,350 000		39,380,000 000		154,437,350 000	
	Navy loan	17,000,000 000		8,203,400 000		8,796,600 000	
	War loan	124,855,750 000		8,339,300 000		116,516,450 000	
	Money borrowed for campaign use	15,000,000 000		15,000,000 000		0	
Loans contracted for adjustment of former loans and paper money.	Total	156,855,750 000		31,542,700 500		125,313,050 000	
	Consolidated loan	175,000,000 000		6,306,400 000		168,693,600 000	
	"Kinsatsu" exchange bonds	14,599,150 000		14,599,150 000		0	
	Loan for the redemption of paper money	22,000,000 000		0		22,000,000 000	
	Total	211,599,150 000		20,905,550 000		190,693,600 000	
Grand total		788,182,600 000		287,481,951 000		500,700,649 000	

CHAPTER IV.

ACCOUNT OF THE CHINESE INDEMNITY.

The Chinese indemnity, obtained as a result of the War of 1894-95, naturally constituted the chief item in the post-bellum financial administration of the country. The total amount of the indemnity, being more than 230,000,000 taels (Kuping), had been all received by May, 1898. The above amount was equal to *yen* 355,980,363.835, to which the sum of *yen* 9,548,703.440, being the profit secured by the Government through the utilization of the indemnity money before the last day of January, 1900, must be added in order to get the total of the indemnity fund to be now accounted for. The two sums thus added together make *yen* 365,529,067.275. Of this sum, *yen* 360,811,363.373 have now been all disposed of for various objects of expenditure and there remains yet undisposed of but the sum of *yen* 4,717,703.902. It may thus be said that the business connected with the disposal of the indemnity fund is now practically completed; so that, although the full report will be reserved for some future opportunity, a brief outline of the account concerning the receipt and employment of the indemnity fund must be given in this connection.

SECTION I.

Receipt of the Chinese indemnity and establishment of the Indemnity Fund Special Comptabilité.

The indemnity money received by Japan from China as a result of the War of 1894-95 consisted of the following three items; namely, the war indemnity of 200,000,000 taels and its interest, as well as the annual

payment of 500,000 taels as the indemnity for the temporary occupation of Wei-hai-wei, according to the provisions of the Treaty of Peace signed at Shimonoseki on April 17th, 1895, and lastly the indemnity for the retrocession of Liao-tung Peninsula, of 30,000,000 taels, according to the provisions of the convention signed on November 8th, 1895. Of the above moneys, the war indemnity was to be received in eight installments within seven years after the ratification of the treaty. The Chinese Government agreed to pay interest on the parts yet unpaid, after the first installment had been paid, at the rate 5 per cent. per annum, but it was arranged that, in case the entire amount of the war indemnity was paid within three years after the ratification of the treaty, China would be freed from paying the interest and that any interest that had been paid, would be counted as parts of the principal paid. Now these several items of indemnity were all given in terms of *Kuping* tael and it became known very soon that the Chinese Government intended to issue public loans in Europe. On the other hand, Japan had the prospect before her of paying large disbursements for several years in Europe; while at the same time the price of silver was undergoing great depreciation, so that the Government of Japan was strongly inclined toward the adoption of the gold standard. In view of these two sets of facts, it occurred to Count Matsukata, the Finance Minister at that time, that it would be to the advantage of the both Governments if the indemnity moneys were received in English money. With the consent of the Cabinet, then under the premiership of Marquis (then Count) Ito, the instructions were sent by the Government to the Japanese Minister in Peking, to negotiate with the Government of China to have the indemnity moneys all reduced once for all into

the terms of English money, and to have each installment paid over in London to the representative of the Japanese Government in that city ; and the agreement of the Chinese Government to these proposals was secured in October 6th, 1895. (The translation into the terms of English money was made at the average rate of the price of silver in the money market in London during the three months ending in August, 1895, i. e., 30.4429 *d*). The Chinese Government, after having made the first three installments according to the terms of the treaty, paid over the rest of the indemnity all in one installment on May 7th, 1898 ; which date being within the period of three years mentioned in the treaty, the amount of the interest on the principal which had been paid in was now counted as part of the principal paid in. The various amounts of the indemnity paid by China, were, being reduced into the terms of English money, as follows :—

The war indemnity, being the equivalent of 200,000,000 taels		32,900,980	7	4.75
The indemnity for the retroces- sion of Liao-tung Peninsula, being the equivalent of 30,000,000 taels.		4,935,147	1	1.75
Total.		37,836,127	8	6.50

If now, on the contrary, the indemnity had not been reduced into the terms of English money once for all at the beginning, but at different times at which the particular payments were made,—the reduction being made according to the price of silver prevailing in London at each of those times—the sum of 230,000,000 taels paid by China would have made £ 36,127,642. 7 *s* 10.41 *d*, which would be less than the actual receipt of the Government, i. e., £ 37,836,127.

8s 6.5*d* by £ 1,708,485. 0s 8.09*d*. The events proved, therefore, that the Government was wise in arriving at an agreement with the Chinese Government to fix the English equivalent of the indemnity moneys at the beginning of the transaction, according to the average price of silver in Lonton during the three months of June, July and August in 1895.

Besides the above mentioned amounts, the Government received the three installments of 500,000 taels each as the indemnity for occupying Wei-hai-wei. The 500,000 taels, as reduced at the beginning into terms of English money, made £ 82,252. 9*s*, so that the three installments received amounted to £ 246,757. 7*s*. This latter amount was all transferred into the General Account of the Government, each installment being paid in as it was received.

Thus it will be seen that the war indemnity and the indemnity for the retrocession of Liao-tung Peninsula, both together, made an enormous amount, and were received in several installments extending over a number of years; their disbursements too were made, not all at once, but portion by portion according to needs. Besides, as the Government took much pains in sending the moneys home, to avoid as much as possible causing disturbance in the money market, by sending them sometimes by means of exchange operations and sometimes by shipping bullion, the indemnity fund was not sent home all at once; hence the Government sometimes held a part of the indemnity moneys left abroad in the form of securities, or, in order to accommodate its own convenience, deposited a part in bullion or English money with the agency of the Bank of Japan, borrowing the convertible notes corresponding in amount to the deposit thus made. Before, however, these various methods of transactions had been carried out,

Viscount Watanabe, Finance Minister at that time, felt the need of a law for the indemnity money special *comptabilité*. A bill embodying such a law was, therefore, presented in January, 1896, to the Imperial Diet and, being passed, was promulgated as Law No. VI, in March of the same year. The war indemnity and the indemnity for the retrocession of Liao-tung Peninsula were, therefore, placed in a separate account under a special *comptabilité*, thus opening the way for the Government to hold a part of the indemnity in forms of gold or silver bullion and securities, or to deposit a part with the Bank of Japan, in the form of gold or silver bullion, and borrow the convertible notes corresponding in amount to the deposit thus made, and open a special account of debit and credit between the Government and the Bank.

SECTION II.

Ways in which the indemnity fund was spent and the enterprises undertaken with it.

The total amount of the money placed under the indemnity money special *comptabilité* was *yen* 365,529,067.275, which consisted of the following items:—*yen* 355,980,363.835, being the amount realized from the sum of £ 37,836,127. 8 s 6.5 d, according to the prevailing rate of exchange between Yokohama and London, at the time in which each of the several installments was received; and *yen* 9,548,703.440, being the profit secured through the utilization of the indemnity money and added to the fund under the special *comptabilité*.

As to the ways in which the indemnity money was spent, it was evident that, from the very nature of the

money itself, being the money received as a result of the war of 1894-95, a great caution was needed in fixing upon a line of policy to be pursued in making the disbursements. The Government decided, therefore, first of all to make good the deficit of the war fund by the indemnity, and then to devote a large part of the remaining portion for meeting the expenses of the military and naval expansion and in otherwise providing for the national defence, for the upholding of national authority, &c. A part of the further remaining portion was set apart for the use of the Imperial Household, while other parts were set apart as the Education Fund, the Calamities Reserve Fund and the War-vessels and Torpedo-boats Replenishing Fund; and spending yet other portions for covering the deficit in the general receipts of the Government, caused by a delay in the enactment of the law for the increased taxation. It is needless to say that there is a pressing need for improving the educational organizations of the country and for providing for the calamities-reserve fund for the relief of the sufferings caused by natural calamities, such as hurricanes and floods,—these calamities causing not only the decrease in the ordinary receipts of the Government, but calling for State-contribution to the repair-engineering works in the prefectures. It is also plain that, with the expansion of the navy, there will arise a need of replenishing and maintaining the high status to which the navy has been raised by the carrying out of the expansion programme. These reasons will show that the ways of disposal and disbursement of the indemnity have been well thought out. The following statement will give the particular items in the disposal and disbursement of the indemnity money:—

*Account of the disposal and disbursement
of the indemnity money.*

The Indemnity Fund	365,529,067. ^{yen} 275
Items under the above:—	
Amount corresponding to 230,000, 000 taels, received as indemnity	355,980,363. ^{yen} 835
Profits secured by the employment of the indemnity money previous to January 31st, 1900	9,548,703.440
Amounts set apart for various objects of expenditure	360,811,363.373
Items under the above:—	
For the military expansion (being transferred to the General Ac- count)	56,800,233.941
For the naval expansion (being transferred to the General Ac- count)	139,259,717.577
For establishing the iron foundry (being transferred to the General Account)	579,762.020
For the extraordinary war ex- penses (being transferred to the special <i>comptabilité</i>)	78,957,164.989
For the extraordinary war ex- penditures and the transportation and intelligence expenditures connected with the war for 1897–98 (being transferred to the General Account)	3,214,484.846
For the use of the Imperial House- hold	20,000,000.000
For the War-vessels and Torpedo- boats Replenishing Fund	30,000,000.000
For the Calamities-Reserve Fund .	10,000,000.000
For the Education Fund	10,000,000.000
For making up the deficit of reve- nue for 1898–99 (being transfer- red to the General Account) . .	12,000,000.000

Balance between the receipts and disbursements of the Indem- nity Fund (being the part whose objects of expenditure are yet undetermined) . . .	4,717,703.902
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It will be seen thus that the remainder of the Indemnity Fund of which the objects of expenditure are yet undetermined are but *yen* 4,717,703.902; and of this remaining portion, *yen* 3,639,960.000 has been turned into the debentures of the Industrial Bank of Japan, issued in 1897 and 1898, with the object of relieving the tightness of the money market.

Perhaps it needs to be mentioned in this connection that although the Indemnity Fund was employed in carrying out the coinage reform of 1897, yet the fund thus employed was not in the least part spent off, but that the employment consisted in a temporary utilization for supplying a large gold reserve. In other words, the Government took the bullion held under the Indemnity Money Special *Comptabilité* and used it for minting gold coins to be reserved for making the exchange of 1-*yen* silver coins; then the 1-*yen* silver coins thus exchanged were sold off in the market as bullion and with the proceeds from the transaction the Government paid back to the Indemnity Money Special *Comptabilité*, the fund which had been borrowed from it.

SECTION III.

Transportation home of the Chinese indemnity and its employments.

As was mentioned before, the indemnity moneys paid by China were all received in English coins in London. In

regard to the receipts and disbursements as well as the custody of the indemnity money, the Government took a course calculated to assure the greatest safety. First of all, the Government now had the agency of the Bank of Japan opened in London, in order to make with that agency the deposit of the indemnity money. Then the Government despatched an auditor of the Bank of Japan to oversee the actions of the agency. Besides, the Japanese Minister in London was instructed to further oversee both the auditor and the agency of the Bank of Japan and the receipts and disbursements of the indemnity money were only made possible with the order of the Finance Minister in each case. Thus the indemnity money kept in custody in London was employed on the one hand as an exchange fund for making payments for the War-vessels, &c., and, on the other hand, so far as the indemnity money was needed at home, was brought home gradually in various portions. Now in bringing home the indemnity money which was kept, in English coins in London, much care was taken to avoid disturbing the money market by making careful considerations of the economic conditions both at home and abroad, so that it was brought home sometimes, in the form of gold or silver bullion, sometimes in the form of English coins, or sometimes by means of exchanges, either by direct operation or by indirect operation through America, China, &c.; adopting in each case what seemed to be the most advantageous course to pursue. The account of these transactions in London from its very start till the last day of January, 1900, is contained in the statement given below. It must be mentioned, however, that in connection with the receipts and disbursements of the indemnity money, there was also transacted business connected with the proceeds from the sale of the war loan

bonds in London as well as the proceeds from the recent foreign loan bearing 4 per cent. interest, so that the following statement give the account of all these various funds.

Moneys received in London by the Government.

Equivalent in English money of 200,000,000 taels of the war indemnity.	32,900,980	£	s.	d.
			7	4.75
Equivalent in English money of 30,000,000 taels being the indemnity for the retroces- sion of Liao-tung Peninsula	4,935,147		1	1.75
Profits from the employment of the indemnity moneys in London	109,714		6	5.00
Proceeds from the sale of 43, 000,000 <i>yen</i> of the war loan	4,386,000		0	0.00
Indemnity for occupying Wei-hai-wei	246,757		7	0.00
The foreign loan bearing 4 per cent. interest	8,600,000		0	0.00
Proceeds from the sale of 1- <i>yen</i> silver coins, (being the amount already collected of bills of exchange).	2,034,500		0	0.00
Interest on the deposits at the Bank of Japan, according to Law No. XVI	69,360		5	4.00
Interest on Government loan bonds belonging to the de- posited money section of the Finance Department.	34,000		0	0.00
Total	53,316,459		7	3.50

The items of disbursements.

Brought home, either in English coins or in the form of gold bullion	11,574,876	8	11.0
Brought home in the form of silver bullion	3,090,504	6	3.0
Brought home through exchange operations	19,081,261	10	2.0
Paid in exchange for the items of expenditure abroad of the Government Departments .	12,649,443	16	6.5
Transferred to the account of the deposited money section of the Finance Department to be added to the War-vessels and Torpedo-boats Replenishing Fund . . .	1,530,000	0	0.0
Total	47,926,086	1	10.5
Balance, showing the yet undisbursed portion	5,390,373	5	5.0

Thus the actual amount now held in English coins in London is £ 5,390,373. 5s 5d.

The Government took advantage of the interval between the receipts and the disbursements of the various installments to utilize parts of the Indemnity Fund. Sometimes a portion of the Fund was so employed as to relieve the stringency of the money market at home; at other times, portions of the fund were invested in a temporary way in the treasury bills of both the British and the Indian Governments and in the bills of the Indian Government convertible with the British coin; or at times when there was a tendency for our specie to leave

the country, a portion of the fund was employed as a provision fund for foreign exchange with the object of preventing the exodus of specie; or again, when an intended public loan at home could not be issued at the expected time, as was the case in the year 1898–99, a portion of the indemnity fund was utilized to defray for a time being the expenditures intended to be covered by public loans. In all these cases, except in the last mentioned case, the Government was able to realize profits from these transactions, which together amounting to *yen* 9,548,703.440 were made over to the Indemnity Fund Special *Comptabilité*, as parts of its receipts.

Besides the above cases, in accordance with Law No. XVI of 1894, there was another case of the deposit of a portion of the Indemnity Fund at the Bank of Japan. The profit in this case was *yen* 694,918.898, all of which was made over to the General Account as a part of its receipts.

SECTION IV.

Present account of the Indemnity Money.

In order to make plain the receipts and employments of the indemnity money, its actual account on January 31st, 1900, is herewith given, as follows:—

Equivalent in Japanese money, of 230,000,000 taels of the Chinese indemnity, whose equivalent in English money was fixed at £ 37,836,127. 8 ^s 6.5 ^d	<i>yen</i> 355,980,363.835
Profits from employing the in- demnity money	9,548,703.440
Total	365,529,067.275

Of the above amount which formed the Indemnity Fund, the following disbursements had been made before January 31st, 1900:—

The amount of the Indemnity
Fund disbursed ^{yen} 279,294,421.506

Items under the above are as follows:—

Transferred to the Extraordinary
War Expenditures Special *Comp-*
tabilité ^{yen} 78,957,164.989

Military expansion expenditures,
(being transferred to the General
Account) 43,662,662.134

Naval expansion expenditures, (being
transferred to the General Account) 70,880,347.517

Expenditures for setting up the iron
foundry 579,762.020

Extraordinary war expenditures and
the transportation and intelligence
expenditures connected with the
war, for 1897-98 (being trans-
ferred to the General Account) . 3,214,484.846

For making up the deficit of revenue
in 1898-99 (being transferred to
the General Account) 12,000,000.000

Set apart for the use of the Imperial
Household, in 1898-99 20,000,000.000

Transferred to the War-vessels and
Torpedo-boats Replenishing Fund,
in 1899-1900 30,000,000.000

Transferred to the Calamities-Reserve
Fund, in 1899-1900 10,000,000.000

Transferred to the Education Fund,
in 1899-1900 10,000,000.000

Balance 86,234,645.769

Items, under the above:—

In Japanese currency	29,878,210.698
In the debentures of the Industrial Bank of Japan	3,639,960.000
Total	33,518,170.698

(The above is the amount held at home)

Invested in English money, at the Bank of England	507,561.057 (= £50,762 7s 4d)
In custody of the London agency of the Bank of Japan, in English money	4,394,481.528 (= £450,000)
Held as an exchange provision fund by the Bank of Japan	9,764,365.685 (= £1,000,000)
In the form of deposit at the Bank of Japan, bearing interest	18,581,134.175 (= £1,900,000)
In the Treasury bills of the English Government	9,523,307.907 (= £975,312 10s)
In the Chinese Government loan bonds	1,015,959.870 (= £102,762)
In the war loan guaranteed by the Government	1,976,574.516 (= £200,388 18s 3d)
In the foreign loan payable in pounds sterling, bearing 4 per cent. interest	6,953,090.333 (= £711,147 9s 10d)
Total	52,716,475.071 (= £5,390,373 5s 5d)

(The above amount is held in London)

The parts of the Indemnity Fund of which the methods of disposal had been determined before January 31st, 1900, were altogether *yen* 360,811,363.373. Of the above total amount, *yen* 279,294,421.506 had been disbursed by being transferred to the General Account and other accounts, so that there remained at the above mentioned date, the sum of *yen* 81,516,941.867 yet undisbursed; these being intended to cover the remaining parts of the expenditures for the military and naval expansion programme. This latter amount is intended to be met, with the remaining amount of the indemnity, i. e., *yen* 86,234,645.769, as shown in the account given above, by transferring the required sums to the General Account, according to the actual needs of the different items of expenditure. The balance between the two sums mentioned above, i. e., *yen* 81,516,941.867 and *yen* 86,234,645.769, gives *yen* 4,717,703.902, as the only remaining portion of the indemnity whose method of disposal has not yet been determined. Of this sum, 3,639,960 *yen* are held, as may be seen in the above-given account, in the form of debentures of the Industrial Bank of Japan.

SECTION V.

Expected disbursements abroad for War-vessels.

In order to economize on the expenses of transportation of specie and to avoid disturbing the money market, the Government at first determined to keep in London, as a fund for war-vessels to be ordered abroad after 1896-97, the sum of about £17,000,000 out of the Indemnity Fund. It was intended to invest a part of this money in the short period loans of foreign governments and to deposit on current account the rest at the Bank of Japan, thus deriving some profits from this unexpended portion of the Indemnity

Fund. But in 1897-98, the Government was compelled, on account of the stringency of the home money market, to subscribe for the public loan to be issued in this year, by employing about 14,670,000 *yen* of the Indemnity Fund. And again in 1898-99, as the stringency grew greater, the Government employed about 36,990,000 *yen* of the Indemnity for buying public bonds and about 3,740,000 *yen* for subscribing for the debentures of the Industrial Bank of Japan, with the object of relieving the tightness of the money market and of preventing a possible panic. In these circumstances, it was out of question to issue a public loan at home, and the expenditures amounting to about 70,650,000 *yen* which were intended to be met by public loans had to be provided for in some other way. Besides, there was a deficit of 12,000,000 *yen* in the General Account of 1898-99, caused by a delay in the adoption by the Diet of the increased taxation measure, and another deficit of about 9,710,000 *yen* in the General Account of 1899-1900,—both of these items needing somehow to be provided for. For these reasons, the only course possible for carrying on the Government business in these difficult circumstances seemed to be to bring home the fund kept in London for making future payments for war-vessels. It was believed that by so doing, not only would the financial distress be relieved and the Government funds most properly employed, but the much-feared exodus of specie from the excess of the imports over the exports prevented, leading in turn to the secure establishment of the convertible notes system. The consequence was that the fund which had been kept in London in order to make payments for war-vessels was now brought home,—thus making it necessary to send away specie for the payments

for war-vessels ordered abroad.

At this time, in June, 1899, the Government fortunately succeeded in raising a foreign loan of £ 10,000,000. It was decided in the Cabinet Council, at the suggestion of Count Matsukata, Finance Minister, that the Government should at once refund the amount borrowed from the Indemnity Fund and devote the fund thus paid back to making payments for war-vessels abroad, and to spend it for no other objects; and the Imperial Sanction was obtained for this measure. Now the estimated entire expenditure abroad for war-vessels was £ 17,349,489. 8s; and after deducting from this total estimated expenditure the two sums of £ 1,779,265. 9s 0.5d, which turned out to be not needed to be paid abroad, and of £ 10,555,035. 0s 5.5d, which had been already paid, we get the remainder £ 5,015,188. 18s 6d as the expenditure yet to be made in foreign countries. It is the intention of the Government to defray this last amount out of the £ 5,390,373. 5s 5d of the Indemnity Fund now kept in London.

SECTION VI.

Creation of the War-vessels and Torpedo-boats Replenishing Fund, the Education Fund and the Calamities Reserve Fund.

The particulars concerning the setting apart of the War-vessels and Torpedo-boats Replenishing Fund, the Education Fund and the Calamities Reserve Fund were fully stated in the Report of the Finance Minister, dated October 13th, 1899. In this connection only a brief outline of those particulars will be given.

As soon as the War of 1894-95 was brought to a

satisfactory conclusion, there was already a strong opinion among the authorities advocating the setting apart of a part of the indemnity to be received from China as the Emergency Reserve Fund to be kept for use in time of some national crisis. When in May, 1898, the last installment of the indemnity were received, Count Inouye, Finance Minister at that time, brought forward before the Cabinet Council a scheme of setting apart such a reserve fund and secured the consent of the Government for the adoption of that scheme. But owing to the dissolution of the Diet and the subsequent resignation of the Cabinet, the scheme could not be then realized.

On Count Matsukata's taking up the Portfolio of Finance in November, 1898, he paid an immediate attention to the question of the reserve fund and after full deliberations the following scheme was drawn up:—

To set apart the sum of 30,000,000 *yen*, out of the Indemnity Fund yet undisposed of, as the War-vessels and Torpedo-boats Replenishing Fund, to keep the fund either in gold coins or gold bullion or in reliable public loan bonds of foreign governments with the view to securing profits, and to have, after 1905–06, a sum corresponding to a certain percentage of the cost of war-vessels transferred annually to this fund from the General Account in order to augment this fund, intended for the replenishing of War-vessels and Torpedo-boats at some future time; to set apart the sum of 10,000,000 *yen* as the Education Fund, to keep the fund in the Government loan bonds and to use the interest accruing therefrom for making State-aid toward the expenses of the national education; then lastly, to set apart another 10,000,000 *yen* as the Calamities-Reserve Fund, to keep the fund in the Government loan bonds as in the case of the Education Fund and to use the

interest accruing therefrom for aiding in the expenses of engineering works in the prefectures, made necessary through calamities or to make up the reduction of the ordinary revenues of the Government through calamities; while thus the three Funds, together amounting to 50,000,000 *yen*, would be employed at ordinary times for assisting in the ordinary administrative affairs of the nation, they were to be devoted to extraordinary war purposes at a time of national crisis. Such was the scheme which was presented to the Cabinet Council, together with the bills for respective special *comptabilité* laws. These bills received the consent of the Diet in its 13th session and were promulgated as Laws Nos. LXXIX, LXXX and LXXXI on March 20th, 1899.

According to the provisions of these laws, the entire business connected with the management of the Funds was entrusted to the Deposit Funds Section of the Finance Department, and on June 7th, 1899, the following rules were adopted in the Cabinet Council, in regard to the method of their management:—

1. To keep the War-vessels and Torpedo-boats Replenishing Fund, one half of it in gold coins or gold bullion and the other half in foreign loan bonds, and the interest paid to the Fund to be not more than 1.75 per cent. per annum.

The part kept in gold bullion to be deposited at the Bank of Japan with the view to receiving profit therefrom, but to be withdrawn from the Bank in case the Bank's specie reserve is reduced to less than 90,000,000 *yen*.

2. The Education Fund and the Calamities-Reserve Fund to be both kept in the Government loan bonds, bearing the interest of 5 per cent. per annum; the interest paid by the Deposited Fund Section to these Funds to be

5 per cent. per annum in the case of the Education Fund, and 4.5 per cent. per annum in the case of the Calamities-Reserve Fund.

According to the foregoing scheme, the Education Fund and the Calamities-Reserve Fund were both turned into the Government loan bonds bearing 5 per cent. interest; and that part of the War-vessels and Torpedo-boats Replenishing Fund which was to be kept in gold coins or gold bullion was turned into gold coins or gold bullion by October, 1899, while the other part to be kept in the foreign loan bonds was turned into the Imperial Japanese foreign loan bonds bearing 4 per cent. interest, held by the Indemnity Money Section; the interest paid by the Deposit Funds Section to the War-vessels and Torpedo-boats Replenishing Funds was to be, in accordance with the decision of the Cabinet Council, at the rate of 1.5 per cent. per annum. The account of the three Funds as it at present stands in the Deposit Funds Section is as follows:—

The War-vessels and Torpedo-boats Replenishing Funds . . .	yen 30,000,000.000
Items under the above:—	
Gold coins and gold bullion . . .	yen 15,041,827.219
Imperial Japanese foreign loan bonds at 4 per cent. interest . . .	14,958,172.781
= Imperial Japanese foreign sterling loan of the face value of £ 1,700,000 bearing 4 per cent. interest. This was bought at the price of £ 1,530,000.	
The Education Fund	10,000,000.000
Items under the above:—	
The Government loan bonds, bearing 5 per cent. interest	9,999,988.800
= The Government loan bonds of the face value of 10,775,850 yen, bearing 5 per cent. interest.	
Actual cash	11.200

The Calamities-Reserve Fund	. 10,000,000. ^{yen} 000
Items under the above :—	
The Government loan bonds, bearing	
5 per cent. interest	9,999,988.800
= The Government loan bonds of the	
face value of 10,775,850 <i>yen</i> , bearing	
5 per cent. interest.	
Actual cash	<u>11.200</u>
Total	50,000,000.000

That part of the War-vessels and Torpedo-boats Replenishing Fund, kept in gold coins and gold bullion, amounting to *yen* 14,940,546.992, is now deposited with the Bank of Japan on current account at the interest of 1.25 per cent. per annum.

PART IV. THE CONDITION OF MONETARY
CIRCULATION AND THE ESTABLISH-
MENT OF THE FINANCIAL OR-
GANS OF THE COUNTRY.

CHAPTER I.

THE CONDITION OF MONETARY CIRCULATION AFTER
THE WAR OF 1894-95.

From 1896, in which year the successful adjustment of paper currency was accomplished, to the outbreak of the war with China in 1894, there took place a quiet and orderly progress in the condition of monetary circulation of the country. In 1890, there was indeed a short period of stringency, as the result of an excess of the imports over the exports by about 25,000,000 *yen*, owing to the poor crops of rice in the previous year, so that in February, 1890, the average rate of discount in the money market of Tokio stood upon daily balance at 3.1 *sen* per 100 *yen*. Yet after this, the rate of interest became reduced gradually, until in June, 1893, the average discount rate stood upon daily balance at 1.7 *sen* per 100 *yen*,—the market price of the Government Consolidated Loan Bonds ranging between 108 *yen* and 110 *yen*. All this while, the foreign trade of the country was always in our favour, and the increasing numbers of men became engaged in new industrial enterprises, as an effect of the rise of prices caused by the fall in the price of silver. In the latter half of 1893, however, the rate of interest commenced to rise, from the increasing demand for capital caused by new industrial undertakings. But the rise in

the rate of interest was especially marked in the early part of 1894 when grave disturbances arose in Korea, and the average rate of discount stood upon daily balance at 2.7 *sen* or more per 100 *yen* in August of the same year, on the breaking out of the war with China. During the War, all new industrial undertakings ceased, the minds of the whole nation being absorbed with the War. But with the restoration of peace after successive victories on our side and the signing of the Treaty of Shimonoseki, the tightness of the money market during the War, owing to the issuing of the war-loan, &c., began to slacken,—the average rate of discount falling, in October, 1895, to below 2.5 *sen* per 100 *yen* upon daily balance. At the same time, the prices kept on rising, being caused by the depreciation of silver which kept on increasing since 1893; so that apparently a bright prospect was presented for new industrial enterprizes. Added to this, the expectation that the Chinese indemnity of 230,000,000 taels would be soon transported home, thus supplying plentiful capital to our money market, brought about reaction, from the state of temporary cessation of all undertakings during the War, to that of great industrial expansion immediately succeeding the War. The prices of shares and stocks rose remarkably, which led to the formation of new companies or the addition of capital to old companies. The excited state of the money market of this time may be judged from the fact that the rights for stocks, for which but few *yen* as earnest money had been paid in, usually commanded high prices. The state of things being such, the total amount of capital subscribed for new companies or for the expansion of old undertakings during 1896 stood at some 339,840,000 *yen*. When to this was added the amounts which had been already subscribed for similar objects, it was

calculated at the time, that the total capital invested in industrial enterprises would come up to the immense sum of about 939,540,000 *yen*. It was apparent, however, that it was beyond the economic resources of the nation to meet such an immense and sudden demand for capital. Besides, owing to the decrease in our export trade with the United States of America, on account of the prevailing economical distress in that country, and to the increased purchasing power of the lower classes of our people, a result of the war time disbursements by the Government, as well as to the increased demand for machineries and raw materials used in manufacture, a necessary accompaniment of the sudden industrial expansion,—owing to these causes, there was in 1896, an excess of imports over exports by about 53,830,000 *yen*; while in 1897, again, there was a larger excess of imports over exports—by about 56,150,000 *yen*—owing to a remarkably increased importation of rice on account of the poor crops of rice in 1896 and the increased importation of machineries and raw materials.

Such being the economic condition of the country, the rate of interest kept on steadily rising since about August of 1896; in December of the same year, the average discount rate in Tokio stood upon daily balance at 2.7 *sen* or more per 100 *yen*; in 1897, the rate kept on rising until in December it stood upon daily balance at 3 *sen* or more per 100 *yen*. The stringency of the money market now began to be generally felt, and there now occurred in 1897, 101 cases of the bills drawn on the allied banks of Tokio which could not be collected, amounting in money altogether to about 62,500 *yen*. Unfortunately the rice crops in the fall of 1897 were even poorer than in the previous year and there took place also the in-

creased imports to take advantage of the old tariff rates in view of the coming into operation of the new tariff regulations. These things combined to bring up the excess of imports over exports to about 111,740,000 *yen*. The tightness of the money market grew greater and the rate of interest became higher, so that between April and May, 1898, the average discount rate in Tokio stood upon daily balance at 3.2 *sen* per 100 *yen* and the consolidated loan bonds showed the signs of depreciating to below 90 *yen*. There were during the first half of the same year 60 cases of the bills drawn on the allied banks of Tokio, amounting to about 51,400 *yen*, which could not be collected.

It is not surprising that under these circumstances there happened a number of cases of newly established companies or old companies with expanded capital which could not command the payment of promised subscriptions. And the trade in general became greatly depressed on account of the poor crops of rice happening during successive years, and as a consequence the demands for manufactured goods decreased. For these reasons, many industrial companies found exceedingly difficult to maintain themselves, and the specter of a panic stared at our economic community. Count Inouye, Finance Minister at that time, now decided to employ the remaining portion of the Chinese indemnity for relieving the prevailing distress, and subscribed for some 3,740,000 *yen* of the debentures issued by the Industrial Bank of Japan, and instructed the Bank to make loans to companies having promising prospects and, moreover, bought up from the market the Government loan bonds to the amount in face value of about 38,700,000 *yen*. Thus was our economic community barely saved from an impending catastrophe.

After this, the money market became easier and the

rate of interest showed a tendency to fall. In December, 1898, the average discount rate in Tokio stood upon daily balance at about 2.8 *sen* per 100 *yen*; and in January, 1899, it stood at 2.7 *sen*, becoming still less in September, namely 2 *sen* per 100 *yen*, owing to the rich rice harvest in the fall of 1898 and the restoration of parity between the imports and exports in the foreign trade on account of the increased export of silk, habutaye, copper, etc., in 1899.

This encouraging state of affairs seemed to continue to exist in October as in September, when, owing to the Transvaal difficulties, the stringency of the money market became manifest in England, the very centre of the world's money market. The Bank of England commenced raising its rate of interest and to absorb gold into its coffers, and India also, in view of its intended adoption of the gold standard, began to take steps to absorb gold. There commenced now in October and November, the export of gold from this country to India. These things led the Bank of Japan to raise its rate of discount on November 10th, from 1.6 *sen* per 100 *yen* upon daily balance to 1.7 *sen*, which further led the general discount rate in Tokio to be raised in the same month on an average to 2.3 *sen* per 100 *yen*. The money market was now getting tighter and, on the 27th day of the same month, the Bank of Japan again raised its discount rate to 1.9 *sen* per 100 *yen* upon daily balance. The latter fact was, however, misunderstood by the public and the rumour spread throughout Tokio that the Bank of Japan ceased to make loans. At this, there spread considerable alarms and, for three or four days, the prices of stocks and shares underwent a rapid depreciation and there seemed at one time that some sort of panic was impending. The real situation of monetary matters, however,

soon became known and the market returned to its normal condition. Yet owing to the after-effect of these disturbances and to the fact that the end of the year was at hand, the tightness of the money market yet continued to prevail and the Bank of Japan was barely enabled to tide over this difficult season by making an excess-issue of its notes.



CHAPTER II.

FINANCIAL ORGANS OF THE COUNTRY AFTER THE WAR OF 1894-95.

It may be said that, so far as the ordinary financial organs of the country are concerned, their arrangement had been practically completed before the War of 1894-95. Only there remained a few national banks whose settlement had not been completed and the steps were taken after the War toward the adjustment of matters connected with these banks, so that by 1899 these banks were all changed into private banks and the notes issued by them all prohibited to circulate after December 9th, 1899, through Law No. VIII of 1896. And as the adjustment of matters connected with the ordinary financial organs of the country was thus effected, the Government now turned its attention to the establishment of certain special organs of monetary circulation. As a special organ of supplying capital on long period loans to the agricultural and industrial classes, there were now established the Industrial Bank of Japan and the local industrial banks and as the central organ of monetary circulation in Formosa, the Bank of Formosa. For supplying better financial facilities in Hokkaido a scheme for the establishment of the Colonial Bank of Hokkaido was adopted; and as the necessary preparations are now all completed, it will not be long before that bank is ready to begin business. Besides a scheme of establishing the *credit mobilier* to facilitate transactions in market securities as stocks, shares and other bonds, has also been adopted with the approval of the Diet in its 14th session. Moreover, in view of the changed situation of *post-bellum* economic affairs, the note-issue limit of the Bank of Japan on its

security reserve was expanded; and both the Bank of Japan and the Yokohama Specie Bank greatly increased their capital funds. All these additions and improvements have made the national organizations for monetary circulation tolerably complete. The various items will be more particularly treated separately in the following sections.

SECTION I.

Establishment of the Industrial Bank of Japan and of local industrial banks.

The needs of agriculture and industry are different from those of commerce in this that the former require fixed capital looking for profit in the course of a long period, so that they need a special financial organ for furnishing them with capital in long time loans at low rates of interest. This subject was, in fact, quite fully treated in the memorandum, presented by Count Matsukata in 1882, in connection with proposing a scheme of establishing the Bank of Japan. It was distinctly stated in that memorandum that while the need of establishing the Industrial Bank of Japan was very great, yet the economical condition of the country would not permit its establishment at the same time with the Bank of Japan, but that the former would have to be postponed to a future time. After the close of the War of 1894-95, a strong need was felt for the establishment of a bank which should engage in making long-time loans at low rates of interest to agriculturists and manufacturers. Viscount Watanabe, Finance Minister at that time, proposed a scheme of establishing such a bank to the Diet at its 9th session, and, the proposal being adopted by the Diet, the Law

for the Industrial Bank of Japan, the Law for the Local Industrial Banks, and the Law for Subsidizing the Local Industrial Banks, were promulgated as Laws Nos. LXXXII, LXXXIII, and LXXXIV respectively, in April, 1896. The way was thus opened for the making of long time loans at low rates of interest to agriculturists and manufacturers, with the Industrial Bank of Japan as the central organ and local industrial banks as local organs.

In accordance with the provisions of these laws, the Government immediately appointed a committee for the establishment of the Industrial Bank of Japan and, all preparations being completed, that bank was established in June, 1897, with the subscribed capital of 10,000,000 *yen*, the business of the Bank being now opened on one fourth of the subscribed capital being paid in. There prevailed at the time much tightness in the money market, so that with the view to its alleviation the Bank immediately commenced making loans and, by December, 1899, its debentures had been issued six times, amounting altogether to 7,497,100 *yen*, while the loans amounted to *yen* 8,774,842.350. These loans classified according to the nature of debtors are as follows:—

Public bodies	1,559,397.790
Agriculturists	2,328,762.390
Manufacturers	4,886,682.170
Total	8,774,842.350

Up till the last half of 1898, the Bank found it impossible to pay sufficient dividends from its own profits alone, so that the Government granted subsidies amounting altogether to *yen* 115,935.172, in accordance with the provisions of Article No. LV of the Law for the Indus-

trial Bank of Japan. But in the first half of 1899 the Bank was able to pay the dividends of 6.6 per cent. and the Government subsidy was now stopped.

At the same time with the establishment of the Industrial Bank of Japan, committees were also appointed in all the prefectures for the establishment of local industrial banks, so that by December, 1899, those banks were established one in each of 45 prefectures (3 Fu and 42 Ken). The total capital subscribed for these banks amounted altogether to 27,920,000 *yen*, of which 8,028,620 *yen* were the subsidy granted by the Government in accordance with the provisions of the Law for Subsidizing the Local Industrial Banks. Of the above mentioned subscribed capital, the sum of *yen* 15,936,983.806 had been paid in by December 31st,* 1899; of the latter sum, again, 4,717,540 *yen* being the subsidy granted by the Government. Besides, in the case of the local industrial bank in Okinawa prefecture, since it was opened to business on April 5th, 1899, the Government granted it, for the year, the subsidy of *yen* 2,852.739 in accordance with the provisions of the Law for Subsidizing the Local Industrial Banks.

On December 31st,* 1899, the loans made by local industrial banks amounted altogether to *yen* 12,033,145.792, whose particular items were as follows:—

Loans by annual installment.

Agriculturists	<i>yen</i> 7,144,397.012
Manufacturers	2,563,319.378
Public bodies	783,464.351
Total	10,491,180.741

* In the case of Saitama and Niigata prefectures the amounts on November 30th were counted in.

Loans for fixed periods.

Agriculturists	151,295.000 ^{yen}
Manufacturers	285,712.500
Public bodies	252,076.905
Upon joint liability of twenty or more agriculturists	684,654.646
Upon joint liability of twenty or more manufacturers	168,226.000
Total	<u>1,541,965.051</u>
Grand total	12,033,145.792

The local industrial banks which issued debentures up to December 31st 1899, were but five in number—the total amount of the debentures issued being 530,000 *yen*.

With the further expansion of business of the Industrial Bank of Japan and of local industrial banks, it may be confidently expected that their services toward the development of our agricultural and manufacturing industries will become more real and apparent.

SECTION II.

**Establishment of the Bank of Formosa and of the
Colonial Bank of Hokkaido.**

Since the administrative business connected with the coinage and banking system of Formosa was transferred to the supervision of the Finance Minister by Imperial Ordinance No. IX of 1897, the Finance Minister, Count Matsukata, has carefully studied the condition of affairs in the Island and adopted necessary measures in view of that condition. The policy adopted by the Government in regard to coinage was explained in Chapter I, Part III,

and may be passed over in this connection. In regard to the banking system in the Island, the Government decided to establish, in the first place, a central financial organ in the Island, so that, that central bank may serve as the chief means of monetary circulation and an important factor in the industrial development of the Island, as well as furnishing facilities for the development of trade between the Island on the one hand and South China and the islands of the Southern Pacific on the other; besides serving the important purpose of maintaining the financial independence of the Island in times of emergency. With these objects in view, the bill for the Formosan Bank Law was presented to the Diet at its 9th session and, being passed, was promulgated as Law No. XXXVIII in March, 1897.

The Government, accordingly, appointed a commission for the establishment of the Bank of Formosa, in November, 1897. The committee after careful deliberations came to the conclusion that,—the conditions of things in Formosa being yet in a very unsettled condition, so that the prospect of internal peace being not perfectly secure and the credit not yet prevailing throughout the community at large,—it would be necessary for the Government to grant a subsidy in order to guarantee the profit of the Bank. The Finance Minister, Count Matsukata, adopting the suggestions of the committee, obtained the approval of the Diet for the proposal, mentioned in the budget, to make a loan of 2,000,000 *yen* in 1-*yen* silver coins, without interest, to the Bank. The Government further planned to help the Bank by subscribing for 1,000,000 *yen* worth of the Bank's shares. This scheme was presented to the Diet at its 13th session and passed, so that the law embodying the scheme was promulgated as Law No. XXXI in March, 1899. The Government now sub-

scribed for 1,000,000 *yen* worth of the Bank's shares, and the profit accruing to the Government as holders of those shares was to be transferred to the reserve fund of the Bank. Further, since in issuing non-nominated sight drafts the Bank would find it difficult to issue those drafts in gold, in view of the prevailing condition of the Island, the Government proposed in the Diet a bill for permitting the Bank of Formosa to issue silver drafts. The bill being passed in the Diet was promulgated as Law No. XXXIV in March, 1899.

The committee now became engaged in making preparations for the establishment of the Bank, so that in June, 1899, the Bank of Formosa was established with the capital of 5,000,000 *yen*. In September of the same year, the Bank opened business, on one fourth part of its subscribed capital being paid in and the loan 2,000,000 *yen* made by the Government.

In the brief space of time that has passed since its establishment, the Bank can scarcely show much noteworthy result. There is little doubt, however, that with good management in its administration and business, all that is expected in regard to the Bank's service toward the economic development of the Island and other objects aimed at in the beginning will be fully realized.

Next to the Bank of Formosa, the establishment of the Colonial Bank of Hokkaido calls our attention. The island of Hokkaido, occupying so important a position in the northern part of the Empire, has invited the attention of the Government, ever since the time of the Restoration, with reference to its colonization and exploitation. Much had already been accomplished but the lack of proper financial facilities was now considered to be a main hindrance toward the successful opening up of the Island.

But the Finance Minister, Count Matsukata, thought the condition of things in the Island was not yet ready for the establishment of industrial banks and a scheme of establishing a bank specially suited to the prevailing condition in that island was adopted by the Government. A bill for the Hokkaido Colonial Bank Law was presented to the Diet in its 13th session and, being passed, was promulgated as Law No. LXXVI in March, 1899.

In accordance with the provisions of this law, the Government appointed a committee for the establishment of the Colonial Bank of Hokkaido in May, 1899, and made other preparations, so that the Bank was established in December, 1899. It is expected that at no distant day it will commence to transact business.

SECTION III.

Augmentation of capital of the Bank of Japan and of the Yokohama Specie Bank and the expansion of the note-issuing capacity, on the security reserve, of the Bank of Japan.

With the changed situation of the country due to the War of 1894-95, a distinct advance was also noted in the economic life of the community, so that the Bank of Japan, which is the central financial organ in the country, and the Yokohama Specie Bank which is almost the only medium of exchange operations in the foreign trade of the country, both felt compelled to make expansion in their business, in order that these important organs might not fail to perform properly their functions in the new epoch the country has entered into. Consequently, in August, 1895, the Bank of Japan increased its capital from 20,000,000 *yen* to 30,000,000 *yen*, of which increased amount

all being paid in February, 1898; its business operations were expanded by the opening of branch offices in Nagoya and in Hokkaido and of sub-agencies in Kioto, Otaru and Fukushima. In March, 1896, the Yokohama Specie Bank increased its capital from 6,000,000 *yen* to 12,000,000 *yen*, of which increased amount all being paid in June, 1899; by the resolution of the shareholders at the general meeting held in September of the same year, the Bank's capital was again increased to 24,000,000 *yen*, making it just double of what it was before, half the amount of capital for the new subscribed shares being required to be paid in in March, 1900; the business operations of the Bank were expanded by opening sub-agencies in Tokio and Nagasaki as well as in Hongkong and Tien-tsin, the latter with the object of extending business operations in North China; the preparations are now in progress to open sub-agencies in New-chwang and Che-foo.

In order to show the expansion of business of both the Bank of Japan and the Yokohama Specie Bank since the War of 1894-95, the following tables, showing the gross amount of business annually transacted by these banks since 1893 and the increased amount in 1898 as compared with 1893, are herewith adjoined:—

THE BANK OF JAPAN.

Years.	Receipts.	Disbursements.	Total.
	<i>yen</i>	<i>yen</i>	<i>yen</i>
1893 (26th year of <i>Meiji</i>) ..	906,834,703	904,832,198	1,811,666,901
1894 (27th ,, ,, ,,) ..	1,186,217,336	1,207,169,736	2,393,387,072
1895 (28th ,, ,, ,,) ..	1,504,920,922	1,509,000,311	3,013,921,233
1896 (29th ,, ,, ,,) ..	2,661,136,053	2,659,398,132	5,320,534,185
1897 (30th ,, ,, ,,) ..	4,802,613,130	4,757,471,134	9,560,084,264
1898 (31st ,, ,, ,,) ..	4,509,474,049	4,509,856,183	9,019,330,232
Increased amount for 1898 as compared with 1893	3,602,639,346	3,605,023,985	7,207,663,331

YOKOHAMA SPECIE BANK.

Years.	Receipts.	Disbursements.	Total.
	<i>yen</i>	<i>yen</i>	<i>yen</i>
1893 (26th year of <i>Meiji</i>) ..	713,663,548	714,207,642	1,427,871,190
1894 (27th " " " ") ..	1,036,017,469	1,042,735,478	2,078,752,947
1895 (28th " " " ") ..	1,182,362,396	1,181,652,882	2,364,015,278
1896 (29th " " " ") ..	2,360,476,862	2,362,080,157	4,722,557,019
1897 (30th " " " ") ..	2,833,181,887	2,832,305,525	5,665,487,412
1898 (31st " " " ") ..	3,597,367,324	3,596,881,335	7,194,248,659
Increased amount for 1898 as compared with 1893	2,883,703,776	2,882,673,693	5,766,377,469

With the increased activity in our economic life as shown in the foregoing tables as well as with the depreciation of our silver currency owing to the fall in the price of silver, there was felt a demand for increasing our currency, so that the limit of note-issuing capacity on the security reserve of the Bank of Japan came to be felt too narrow and the excess-issue became a rule rather than an exception. The Finance Minister, Count Matsukata, therefore, decided to have the note-issuing limit extended from 85,000,000 *yen* to 12,000,000 *yen*, the increased amount being 35,000,000 *yen*. With this object in view a bill embodying the necessary amendments in the Convertible Bank-note Regulations was presented to the Diet. At the same time, it was held by the authorities that the Bank of Japan, instead of monopolizing all the profits it was able to realize, should pay a part of those profits to the Government; and the Government now presented to the Diet a bill for the law for levying of dues from the Bank of Japan. While the Diet passed the former bill, i. e., for revising the Convertible-note Regulations, the latter bill, i. e., for levying of dues from the Bank of Japan was only passed, after it was amended by the Diet, so that the law as amended read the Law for Taxing the Bank of Japan on its Convertible-note Issue. These

laws were finally promulgated as Laws Nos. LV and LVI in March, 1899.

Now the increased amount of the convertible notes thus issued, i. e., 35,000,000 *yen*, was to be employed, according to the instructions of the Minister of Finance, as follows: 15,000,000 *yen* out of the above amount to be employed for facilitating the monetary circulation at home by the Bank becoming the central organ of exchange operations among other banks, and making second discount of bills and also by establishing new branch offices of the Bank, &c; the rest of the 35,000,000 *yen*, i. e., 20,000,000 *yen*, was to be employed for supplying facilities for monetary circulation abroad in aid of our commerce with Europe and America as well as the countries of the Far East, while, in the case of trade with China, the Bank was to take necessary steps to induce the Yokohama Specie Bank to supply all necessary financial facilities; on the other hand, as the maintenance of a sufficient gold reserve by the Bank was a matter of supreme importance for maintaining a firm basis for the convertible notes system, the Bank was to take every pains to absorb gold.

SECTION IV.

Final settlement of business connected with the national
banks and the present condition of private
banks and of saving banks.

As a result of the memorandum presented by Count Matsukata, Finance Minister, on the necessity of altering the national bank system and making a proper disposal of the national bank notes, along with undertaking the adjustment of the paper currency in 1880 and in the years following, the Government revised the National Bank

Regulations by Imperial Ordinance No. XIV in May, 1883. According to this revision, the national banks' term of business was now fixed at twenty years, counting from the day each of the banks received its charter from the Government, and in no case was any of them to be allowed to continue doing business after the expiration of the term; while the notes issued by these banks were to be conjointly redeemed within the term of business of those banks. Now the gross amount of the notes issued by the national banks of the country stood at one time at 34,396,880 *yen* but became reduced through successive redemptions to 20,796,786 *yen* at the end of 1895. And as the end of the term of business for the national banks was now close at hand, Viscount Watanabe, Finance Minister at the time, deeming it necessary to have laws for the final settlement of the national banks and for making a proper disposal of the notes issued by national banks, had the bills for these laws presented to the Diet, which being passed were promulgated as Laws Nos. VII and XI in March, 1896, under the titles of the Law for the Settlement of National Banks on the Expiration of their Term of Business and the Law for the Special Settlement of National Banks previous to the Expiration of their Term of Business. Moreover, by Law No. VIII of the same year, the national bank notes were prohibited to circulate after December 9th, 1899, and the period of five years after the latter date was fixed as the time allowed for the exchange of those notes. In accordance with these laws many of the national banks of the country have soon become changed to private banks either at the expiration of the term of business or even before its expiration, and by February, 1899, there existed not a single national bank throughout the country. The notes of these

banks, too, were successively redeemed until on the last day of December, 1899, there were yet in circulation but 974,999 *yen*.

Thus were many of the national banks changed into private banks and continued doing business, and many new banks of various kinds now started into being in accordance with the Bank Regulations and the Savings Bank Regulations, so that by the end of 1899 there were in the country no less than 2,025 banks of all kinds, (the foreign banks being excepted), and the capital invested in these banks amounted to 433,975,019 *yen*.

Concerning the savings banks, it must be remembered that owing to the fact that they have for their object the collecting of minor savings of the people and augmenting them on a compound interest system and of supplying to the country the capital thus collected, the number of depositors are largely confined to lower classes, being more numerous than in the case of ordinary banks. Besides, the successful working of the savings bank system has a powerful influence in encouraging the habit of thrift. For these reasons, this kind of banks needs special Government control to insure their successful working. It was with this end in view that the Savings Bank Regulations had been issued, requiring the banks to consign as securities market securities corresponding in value to one fourth part of the deposits received, and the responsible officials of the banks bearing unlimited responsibility; these and other provisions being calculated to keep the financial basis of the banks firm and strong. At the last day of June, 1899, there were 459 banks established in accordance with the Savings Bank Regulations and the capital subscribed amounted altogether to 29,489,300 *yen*, of which 16,903,619 *yen* had been paid in; while the

amount of the deposits received stood at 55,335,732 *yen*, of which the savings deposits amounted to about 37,000,000 *yen*, the depositors numbering nearly 3,000,000. Yet, since according to the existing regulations, the rules respecting the employment of funds are imperfect, in the actual working of the system if closely examined the present method of conducting business of savings banks is not beyond criticism. For instance, of the capital and deposits mentioned above, about 20,500,000 *yen* are found to be deposited in other banks, so that the savings banks are not without an appearance of acting as a means of absorbing deposits for other banks; besides, the loans advanced by the savings banks are not all under safe conditions, since they are sometimes made on the security of shares and debentures of companies which are not enjoying good credit or of merchandise with constantly changing prices, or, again, of securities with the similarly changing prices. Now this kind of dangerous transactions ought to be strictly prohibited in the case of saving banks; hence there is a strong need of perfecting the present method of Government control. Count Matsukata had, therefore, a bill for the law revising the present savings banks regulations drawn up and presented to the Diet at its 14th session, but the Diet was adjourned before the bill was passed. It is intended that the similar bill will be presented to the next Diet and that, with the passage of the bill, the Government will introduce reforms in the management of savings banks, in order that the savings deposits of lower classes, who constitute the larger part of the population, may be properly protected.

Lastly, it may be noted, in regard to the condition of various private banks, that the entire amount of the loans advanced by ordinary private banks in the country

stood at 197,545,824 *yen* in November, 1898, which being compared with the corresponding amount on December 31st, 1893, i. e., 39,615,733 *yen*, show an increase of almost five-fold; and that the entire amount of the bills discounted stood at 139,311,447 *yen* on December 31st, 1898, which being compared with the corresponding amount on December 31st, 1893, i. e., 35,764,714 *yen*, show an increase of almost four-fold. As to the savings banks, it may be further noted that the entire amount of the loans advanced by these banks stood at 17,018,507 *yen* on December 31st, 1898, which being compared with the corresponding amount on December 31st, 1893, i. e., 984,263 *yen*, show an increase of more than seventeen-fold; while the entire amount of the bills discounted stood at 7,909,422 *yen* on December 31st, 1898, which being compared with the corresponding amount on December 31st, 1893, i. e., 2,356 *yen*, show an increase of nearly three-fold. These figures show very plainly the distinct progress taking place in the condition of the private banks of the country.

SECTION V.

Enactment of Japan Credit Mobilier Regulations.

In the memorandum by Count Matsukata dated September, 1881, in which the plans for adjusting the paper currency and for establishing a central bank were fully discussed, it was suggested that the country also needed a bank which will chiefly concern itself with making loans on such securities as shares, debentures and other kinds of securities as well as with the purchasing of these securities, thus facilitating the circulation of these securities and helping to maintain their proper prices. With the great

progress made by our economic community, the establishment of the bank of this nature came to be recognized as necessary and the Government presented on the opening of the 13th session of the Diet a bill on the Movable-Property Bank Law. A bill similar in nature to the Government bill, with the object of supplying capital to industries of the country by inviting foreign capital on the guarantee of the Government, was also presented in the same session of the Diet by members of the House of Representatives. At this, the two bills were entrusted to a committee with the object of amalgamating the two and drawing up a new bill, but owing to the lack of necessary time, the Diet was closed without passing any bill on the subject. In the 14th session of the Diet, the Government again presented the bill on the Movable-Property Bank Law, which was passed in both Houses, on changing the name of the Bank to Japan Credit Mobilier and adding a note to Article XIV that for issuing debentures in foreign countries the Government shall make special regulations by law. When this bank is established, it will be found that all necessary agencies for monetary circulation are nearly completed, and the work of the Government as far as banking administration is concerned will thenceforth consist mainly in making improvements and expansions in these financial organs of the country.



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